

Consolidated-Bathurst Inc.

Revised September 29, 1986 (IC)
 Destroy all previous Basic and White
 cards on this Company

CUSIP Number 208705

Stock Symbol CB

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THE COMPANY is one of Canada's largest integrated forest products and packaging companies which, directly and through subsidiaries, manufactures and markets newsprint, pulp, containerboard, kraft paper, boxboard, lumber, corrugated containers, industrial bags, flexible packaging products, glass containers, folding cartons and plastic products. Plants and mills are operated in Canada, Germany, The Netherlands and the United Kingdom.

COMPARATIVE DATA									
Fiscal Year	Total Assets	L.-Term Debt	Shldrs.' Equity	Net Sales	Net Inc. Oper.	Earns. Per Sh.	Divds. Paid	Price Range	
								High	Low
— 000's —									
	\$	\$	\$	\$	\$	— Series A Common Shares —	\$	\$	\$
1985.....	1,862,736	473,024	819,477	1,727,468	79,757	1.40	0.60	19.13	15.00
1984.....	1,675,913	538,732	616,334	1,622,984	73,808	1.40	0.50	16.75	12.63
1983.....	1,670,316	566,201	626,302	1,393,065	43,011	0.72	0.40	13.38	8.07
1982.....	1,588,247	448,463	637,865	1,424,284	53,406	1.10	0.80	9.38	6.82
1981.....	1,432,684	354,062	545,621	1,479,252	101,780	2.21	1.35	14.94	8.25

▲Adjusted throughout for 2-for-1 stock split in August, 1984.

CONSOLIDATED CAPITALIZATION AS AT DECEMBER 31, 1985			
	Outstanding		%
Long-term debt		\$473,024,000	37
Preferred stock	780,626 shs.	19,516,000	1
Second preferred stock	3,500,000 shs.	132,931,000	10
Common stock	50,999,807 shs.	300,139,000	23
Retained earnings		371,882,000	29
Less: Foreign curr. transl. adj.		(4,991,000)	

SUMMARY STATEMENT

Interim report for the six months ended June 30, 1986, net income from operations was \$39,603,000 or 63 cents per share compared with \$43,477,000 or 77 cents per share for the first half in 1985. An extraordinary loss of \$47,443,000 resulting from the \$29,943,000 write-off against its investment in Sulpetro Limited and a \$17,500,000 write-down against its investment in Sulbath Exploration Ltd. Net sales increased 13% to \$969,019,000 from \$856,749,000.

Financial results for the year ended Dec. 31, 1985, showed an 8% gain in net income, operations on a 6% increase in net sales over 1984 results. Operating earnings of the pulp and paper sector rose 25% to \$143,200,000 on 5% higher sales, despite a sharp worldwide drop in pulp prices and a six-month strike at the Bathurst, N.B., mill. Operating earnings of the packaging sector increased 5% to \$60,100,000, while sales were up by 8%. Net extraordinary charges of \$2,193,000 in 1985 and \$14,907,000 in 1984 reduced net income to \$77,564,000 or \$1.36 per common share in 1985 and \$58,901,000 or \$1.07 per share a year earlier.

The issue of an additional 6,000,000 common shares at \$16.75 per share in April, 1985, was followed by the sale of 2,000,000 cumulative redeemable second preferred shares, series C in December at \$25 per share.

Diamond-Bathurst Inc., CB Pak's 42%-owned U.S. associate, expanded operations in 1985 from two to 16 glass bottle plants and sales from US\$61,900,000 to US\$407,500,000 through the acquisition of Container General Corporation in April and the assets of Thatcher Glass Corporation in July, 1985.

N.B. — For quick reference data and index, see page 2.

The Financial Post

INFORMATION SERVICE

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QUICK REFERENCE DATA

Major Shareholders—In March, 1986, Power Corporation of Canada, (controlled by Paul Demarais, director, and associates) beneficially owned approximately 40% and Associated Newspapers Holdings p.l.c. of London, England, beneficially owned approximately 15% of the company's outstanding common shares.

Employees—At December 31, 1985, there were 14,390 employees.

Incorporation—Dominion charter, August 28, 1931; continuance November 23, 1978.

Auditors—Touche Ross & Co., C.A., Montreal.

Fiscal Year Ends—December 31.

Annual Report Appeared—In March in 1986.

Annual Meeting—April 24 in 1986.

Listed—CB, Montreal and Toronto Stock Exchanges.

Options—Call options traded in the January/April/July/October cycle on the Montreal Stock Exchange.

Shareholders—At December 31, 1985, there were 14,176 common shareholders of which 98.2% were Canadian residents.

Transfer Agent and Registrar—Montreal Trust Company, Saint John, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

Ranking in FP 500—55 by sales; 56 by assets.

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COMPANY

The company is one of Canada's largest integrated forest products and packaging enterprises which, directly and through subsidiaries, manufactures and markets newsprint, kraft pulp, containerboard, kraft paper, boxboard, lumber, corrugated containers, industrial bags, flexible packaging products, glass containers, folding cartons and plastic products. Plants are operated in Canada, Germany and The Netherlands. A newsprint mill is operated in the United Kingdom.

The company also has investments in Canadian-managed oil and gas production and exploration as

well as in a large manufacturer of glass bottles in the United States.

SALES

Net sales by product segment for the past two years have been as follows:

	1985		1984	
	\$000's	%	\$000's	%
Pulp & Paper Group:				
Newsprint & groundwood ..	657,700	38	582,600	36
Bleached kraft pulp	86,600	5	105,400	6
Paperboard	152,900	9	169,000	10
Lumber	38,700	2	35,100	2
	935,900	54	892,100	54
Packaging Group:				
CB Pak	456,700	27	433,600	26
Europa Carton ..	332,100	19	294,100	18
	788,800	46	727,700	44
Oil and gas	2,800	..	3,200	..
	1,727,500	100	1,623,000	100

Net sales by geographical segment have been as follows for the past two years:

	1985		1984	
	\$000's	%	\$000's	%
Canada	1,278,400	74	1,252,500	77
West Europe	449,100	26	370,500	23
	1,727,500	100	1,623,000	100

EARNINGS

Operating earnings (before investment and other income, corporate and interest expenses, income taxes and extraordinary items) by product segment have been as follows for the past two years:

	1985		1984*	
	\$000's	%	\$000's	%
Pulp & Paper Group:				
Newsprint & groundwood ..	102,000	51	56,100	32
Bleached kraft pulp	18,600	9	35,000	20
Paperboard	17,800	9	20,700	12
Lumber	4,800	2	3,000	2
	143,200	71	114,800	66
Packaging Group:				
CB Pak	41,400	21	42,300	24
Europa Carton ..	18,700	9	14,800	9
	60,100	30	57,100	33
Oil and gas	d1,400	(1)	2,400	1
Less: Eliminations ..	..	..	▲400	..
	201,900	100	174,700	100

▲Add.

Operating earnings by geographical segment have been as follows for the past two years:

	1985		1984*	
	\$000's	%	\$000's	%
Canada	204,600	101	199,900	114
Western Europe ..	d2,700	(1)	d25,200	(14)
	201,900	100	174,700	100

OPERATIONS

Pulp and Paper Group

The Pulp and Paper Group manufactures and markets newsprint, groundwood specialties, kraft market pulp, paperboard and lumber. Sales offices for the pulp and paper group are located in Montreal, Toronto, New York, Chicago, London, England and Geneva, Switzerland.

Newsprint & Groundwood Specialties—Newsprint is manufactured and sold, generally under five to ten-year purchase contracts, to customers in Canada, the United States, the United Kingdom and certain other countries. The company owns and operates 16 newsprint machines at four mills in Quebec, with an aggregate annual capacity of approximately 986,000 tonnes, and owns and operates three newsprint machines at a mill in the U.K., having an annual capacity of approximately 245,000 tonnes. Publisher newsprint is manufactured at the following locations: the Belgo mill at

Shawinigan, Que.; the Port Alfred mill at La Baie, Que.; and the Bridgewater mill at Ellesmere Port in the United Kingdom. Groundwood specialties, which include uncoated rotogravure, groundwood printing and writing papers, and lightweight directory and computer papers, are manufactured at the Laurentide mill at Grand-Mère, Que. and at the Wayagamack mill at Trois-Rivières, Que.

1985 Operations—Company shipments of newsprint and groundwood specialties in 1985 were up marginally to 1,026,000 tonnes from 1,021,000 tonnes in 1984. Of the total shipments, including those from the United Kingdom, 53% was to the United States, 20% to Canada and 27% overseas.

Net sales of publisher newsprint increased 17% in 1985 to \$422 million from \$362 million in 1984. Tonnage of publisher newsprint from the company's mills in Canada to the North American market was lower than in 1984, with shipments to overseas markets at about the same level. Production from the Bridgewater mill in the United Kingdom increased 25% to 208,300 tonnes, of which 85% went to the U.K. and Ireland, with most of the balance going to Europe. Reduced production costs, as well as higher prices in the U.K. in early 1985, contributed to a substantial reduction in operating losses at Bridgewater.

Net sales of the company's two groundwood specialties mills in 1985 increased 7%, or some \$15 million, to \$236 million. To take advantage of the rapidly growing heat-set offset market, the company recently invested in a top-former at the Wayagamack mill to keep up with the demand for CBI's Conset grade, a sheet specifically designed for heat-set offset printing. This printing process is often used as a substitute for rotogravure printing.

Kraft Market Pulp—The company manufactures and sells bleached market hardwood and softwood kraft pulp to producers of fine and specialty papers located principally in North America. The Pontiac mill, located at Portage-du-Fort, Que., has an annual productive capacity of 193,000 tonnes of bleached kraft pulp. More than 80% of the bleached pulp production is hardwood kraft pulp and the remainder is bleached softwood kraft pulp. Chemi-thermo-mechanical pulp (CTMP) is manufactured at the Bathurst mill at Bathurst, N.B. This mill has an annual production capacity of 137,000 oven-dried tonnes of thermo-mechanical pulp.

1985 Operations—Net sales in 1985 of bleached kraft pulp dropped 17% to \$87.3 million while shipments were down 6% to 167,600 tonnes. Overall demand for pulp was only marginally lower than in 1984, but prices declined an average of US\$100 per tonne owing to increased shipments from non-traditional suppliers, attracted to the U.S. market by the strong dollar.

Shipments of CTMP pulp to the Bridgewater division in the U.K. were interrupted in 1985 by a six-month strike at the Bathurst mill. With Bridgewater increasing its use of recycled paper, Bathurst will have some 80,000 tonnes of market pulp available annually. New bleaching facilities scheduled for start-up at Bathurst in late 1986 will produce a new grade of bleached pulp, called "AURORA".

Paperboard—The company's paperboard operations include the manufacture of containerboard (linerboard and corrugating medium) and kraft paper and boxboard. Details of these operations are as follows:

Containerboard—The company manufactures containerboard at the Chaleurs mill in New Richmond, Que. (linerboard) and at the Bathurst mills in Bathurst, N.B. (corrugating medium), for use in the production of corrugated shipping containers. Annual production capacities at the Chaleurs and Bathurst mills are 196,000 tonnes of linerboard and 120,000 tonnes of corrugating medium, respectively.

1985 Operations—In 1985, the Chaleurs linerboard mill ran at capacity, with shipments increasing by 2% to 190,200 tonnes. The MacMillan Bathurst Inc. joint venture corrugated container company, as the key linerboard customer, continued to assure positive results for the Chaleurs mill. Corrugating medium sales of 44,100 tonnes as against 99,000 tonnes in 1984 re-

flected the Bathurst mill's six-month strike which ended December 1. During the operating period, earnings suffered because of severely reduced export prices.

Kraft Paper & Boxboard—Kraft paper, used primarily for wrapping papers and the production of paper bags, is manufactured at the Wayagamack mill at Trois-Rivières, Que., which has an annual production capacity of 35,000 tonnes. Approximately 10% of the output is sold internally to the Bag division for the manufacture of industrial paper bags. The company manufactures boxboard, used to make folding cartons, at the Laurentide mill at Grand-Mère, Que. That mill has an annual capacity of 36,000 tonnes of boxboard.

1985 Operations—Net sales of kraft paper and boxboard in 1985 were 3% lower at \$38 million. Kraft paper shipments from the Wayagamack mill were off slightly at 25,300 tonnes because of increased competition. Demand for boxboard in 1985 remained firm resulting in a modest sales increase, but prevailing market conditions had an adverse impact on earnings.

Woodlands—Consists of four divisions, the Maritimes division, the Ottawa division, the Saguenay division and the Saint-Maurice division which are engaged in wood harvesting, the purchase of wood and chips, and silviculture.

During 1985, the woodlands divisions delivered approximately two million tonnes of wood fibre to company pulp and paper mills and sawmills, down 10% from 1984 levels owing to the strike shutdown at Bathurst and downtime at other mills to adjust to market conditions. Of this total, sawmill chips and sawdust amounted to 870,000 tonnes or 44%. The woodlands divisions also delivered 202,000 tonnes of wet bark and other sawmill residues to the Port Alfred, Laurentide, Wayagamack and Pontiac mills for use as fuel. With assistance from federal/provincial cost-sharing programs, 1,300 hectares were scarified and 3.5 million seedlings were planted on both public and private lands.

Wood Products—The company operates sawmills as follows: a dimension pine lumber and pine panelling sawmill at Braeside, Ont., with an annual capacity of 50 million f.b.m.; a fir and spruce dimension lumber and stud sawmill at St. Fulgence, Que. (40 million f.b.m. annually); and spruce stud sawmills at Notre-Dame-du-Rosaire, Que. (14 million f.b.m. annually) and at Bathurst, N.B. (26 million f.b.m. annually).

In 1985, net sales of the wood products group amounted to \$39 million, a 10% increase from 1984. Of these sales, 55% were to Canadian customers, and 45% to markets in the United States. Sales volume in 1985 was 112.2 million f.b.m., up 11% from 1984.

Company sawmills operated at the following rates during 1985: Braeside, 93%; Bathurst, 30%; Notre-Dame-du-Rosaire, 99%; and Saint-Fulgence, 67%. Production at the Bathurst sawmill was severely curtailed because of the strike at the Bathurst Division pulp and medium mill. This closed off both log supply and chip outlet. Saint-Fulgence was adversely affected by shortages of logs, and Braeside production was reduced to a four-day week in the final quarter of 1985 because of high inventory levels of lower grades. In total, the sawmills produced 118.1 million f.b.m. of sawn lumber and 115,000 oven-dry tonnes of chips.

Wood Resources—The company and its subsidiaries have timber cutting rights over some 11,904 sq. mi. of forest in New Brunswick, Ontario and Quebec under Crown leases and to a lesser extent, freehold. In addition, the company has volume guarantee agreements with the governments of Ontario, Quebec and New Brunswick. In total, some 1.6 million cumts of wood fibre are available to the company annually under its cutting rights or volume guarantee agreements.

The timber limits are roughly divided into four main areas: the St. Maurice Division which includes mainly the St. Maurice Valley watershed and serves the Laurentide mill, the Belgo mill and the Wayagamack mill, the Saguenay Division which includes the Peribonka, Saguenay, Les Escoumins and Portneuf areas and serves the Port Alfred mill, the Wayagamack Cape mill and the Peribonka sawmill, all Quebec; the Ottawa Division which includes a part of the upper Ottawa River wa-

tershed in the counties of Pontiac and Temiskaming in Quebec and of Renfrew and Nipissing in Ontario and serves the Pontiac pulp mill, the sawmill at Braeside; and the Bathurst and Chaleurs Divisions which include company operations in New Brunswick and the Gaspé Peninsula and which serve the Bathurst mill and New Richmond mill.

Packaging Group

The company's North American packaging operations are carried out through CB Pak Inc., its subsidiaries, Domglas Inc. and Twinpak Inc., joint venture, Libbey-St. Clair Inc., and affiliate, Diamond-Bathurst Inc. (for further information see separate Basic Card on CB Pak Inc.) and through jointly-owned MacMillan Bathurst Inc. European operations are carried out through Europa Carton AG. Packaging products include glass containers, glass tableware, plastics and flexible packaging products and corrugated containers.

North American Packaging—CB Pak Inc.:

Domglas Inc.—Domglas is the largest manufacturer of glass containers in Canada, representing more than 50% of total domestic production and sales. Domglas manufactures and sells more than 1,500 types of glass containers through two divisions, the Glass Container Division and the National Pressed Glass Division. It operates five glass container plants across Canada located at Scoudouc, N.B., Montreal, Que., Brampton and Hamilton, Ont., and Redcliff, Alta., having a combined annual melting capacity of 937,000 tonnes. In addition, Domglas owns and operates a mould design and manufacturing facility at Hamilton, Ont., an industrial glass manufacturing plant and repair facility at Brantford, Ont. and a research and engineering facility at Mississauga, Ont. Regional sales offices are located in Moncton, N.B., Montreal, Toronto and Vancouver. The majority of Domglas' products are made to customer specification and sold on a contract basis. Products are sold to the beer and soft drink industries (approximately 45% of total sales), the food industry (30%), distillers and wineries (15%) and the drug, chemical and cosmetic industries (10%).

Domglas is the major supplier of beer bottles in Canada, is also a leading manufacturer of small size non-refillable bottles which are fully recyclable, and holds the Canadian license, obtained from Owens-Illinois, Inc., for Plasti-Shield®, a patented method of placing a cushioned, plastic, pre-labelled sleeve around a glass bottle and heat-shrinking it onto the bottle. Domglas offers a complete line of private and stock bottles in a variety of colours and is a market leader in such Canadian glass container markets as food, alcoholic beverages, wines and pharmaceutical containers. Domglas also maintains a significant supplier position with California wine producers.

1985 Operations—Domglas operating earnings for 1985 were \$28.8 million, up modestly from 1984's record levels. Net sales at \$320 million were 3% higher than in 1984. Record sales were achieved, in spite of a 38% reduction in shipments of refillable beer bottles, because of growth in other markets and recovery in market share lost during the lengthy 1984 strike at the Montreal plant. In late 1985, the plant at Burnaby, B.C. was shut down because of the idling of B.C. filling facilities by a number of customers and from government regulations restricting participation in beer, wine and soft drink packaging.

Capital spending in 1985 totaled \$19 million, down 18% from 1984 levels. During the year, a new bottle-forming process was introduced into the Scoudouc plant. Owing to a recent change in Ontario government regulations which now allow the use of plastic and Plasti-Shield non-refillable bottles, Domglas installed a Plasti-Shield operation in the province, which became fully operational in early 1986.

Twinpak Inc.—Twinpak is a leading Canadian producer and marketer of a widely diversified range of plastic and flexible packaging products and packaging machinery systems. A 58%-owned subsidiary, Twinpak

Atlantic Inc., manufactures plastic soft drink bottles at a plant in Moncton, N.B. Twinpak operates through three divisions, each serving a major segment of the packaging market. These divisions are as follows:

Rigid Plastics and Liquid Packaging Systems Division—This division operates eight manufacturing plants located at Moncton, N.B., Granby, Montreal and Dorval, Que., Mississauga, Ont., Regina, Sask., Coquitlam, B.C., and Calgary, Alta. The division comprises four major product groups which are as follows: Petalite® (polyethylene terephthalate or PET) plastic bottles for the soft drink industry; a variety of liquid packaging machinery systems; plastic squeeze tubes; and plastic containers and closures.

Flexible Packaging Division—This division operates four plants at Cap-de-la-Madeleine, Que., Brantford, Ont., Calgary and Vancouver. Multiwall paper bags, industrial plastic bags, coated and laminated products and metallized films and paper are manufactured at the Brantford plant; multiwall paper bags, industrial plastic bags and plastic films at the Calgary plant; and multiwall paper bags, industrial plastic bags and coated and laminated products at the Cap-de-la-Madeleine and Vancouver plants.

Packaging Distribution Division (Ampak)—This division is a leading distributor in Canada of general-line packaging products manufactured from plastics, glass and metal. Manufactured products are as follows: injection and blow-mould plastic containers; glass containers; pharmaceutical containers and accessories; dispensing systems; and metal caps and closures. Distribution centres located at Toronto, Dorval, Que., Edmonton and Vancouver, serve a wide variety of industries including the pharmaceutical, cosmetic and toiletry, food, chemical, veterinary and wholesale drug industries. At the Toronto facility, the company also assembles dispensing caps. Approximately 30% of the products marketed by the Ampak division are manufactured by the company and the balance is purchased from outside sources.

Diamond-Bathurst Inc.—Through wholly-owned Consolidated-Bathurst Holdings, Inc., CB Pak holds a 48% interest in Diamond-Bathurst Inc., a glass bottles manufacturer in the United States. Diamond manufactures specialty glass containers primarily for producers of distilled spirits and cosmetics. A total of 16 glass bottle plants are operated at Antioch, Vernon and Hayward, Cal.; Atlanta, Ga.; Chattanooga, Tenn.; Corsicana, Texas; Dayville, Conn.; Elmira, N.Y.; Gulfport, Miss.; Keyser, W. Va.; Knox and Royersford, Pa.; Lawrenceburg, Ind.; Mt. Vernon, Ohio; Streator, Ill.; and Vienna, W. Va. Diamond produces bottles in more than 350 different shapes and sizes from private moulds made to customer specification under firm orders only. Sales offices are located in Royersford, Pa., Vienna, W. Va., and in New York City.

1985 Operations—In April, 1985, the company acquired Container General Corporation of Chattanooga, Tenn. (renamed Diamond Container General Inc.), and in July, it acquired the assets of Thatcher Glass Corporation. As a result of these acquisitions, the number of glass bottle plants operated by the company rose from two to 16; 1985 sales increased to US\$407.5 million from US\$361.9 million; and net income for the year totaled US\$11 million compared with US\$2.2 million in 1984.

CB Pak's ownership of Diamond-Bathurst was increased from 38% to 48% with the purchase in April, 1985, of an additional 1.8 million shares for US\$11.5 million. In December, 1985, Diamond-Bathurst issued 975,000 shares and US\$80 million in subordinated notes to the public. The proceeds, totaling approximately US\$105 million, were used to reduce bank debt and considerably strengthen the company's balance sheet. As a result of this refinancing, CB Pak's ownership of Diamond-Bathurst at Dec. 31, 1985, stood at 42%.

Libbey-St. Clair Inc.—Joint venture between CB Pak and Owens-Illinois, Inc., manufactures and sells glass tableware in Canada. Manufacturing facilities are located at Wallaceburg, Ont. Two glass melting furnaces are operated at the Wallaceburg plant having a

combined daily melting capacity of 285 tonnes. Libbey-St. Clair's product line consists primarily of tumblers (approximately two-thirds of total output), stemware and other table glassware such as ashtrays, servers and butter dishes. Sales offices are located at Montreal, Toronto, Wallaceburg and Vancouver. Tableware products are supplied to the hotel and restaurant industry (generally through distributors), fast food outlets, service stations and chain stores and directly to retailers.

1985 Operations—Glass tableware sales volume and earnings improved in 1985 despite continued pressure from low-priced imports. The company's product line was expanded during the first quarter of 1986 with the introduction of two new lines in retail stemware and three new lines for food service.

MacMillan Bathurst Inc.—MacMillan Bathurst Inc. (MBI), owned jointly by Bathurst Paper Limited and MacMillan Bloedel Limited, is one of the largest producers of corrugated containers in Canada. The company owns and operates 14 corrugated container plants located as follows: Calgary and Edmonton, Alta.; Etobicoke, Guelph, Pembroke, Rexdale, St. Thomas and Whitby, Ont.; Town of Mount Royal and Saint Laurent, Que.; Saint John West, N.B.; Regina, Sask.; Winnipeg, Man.; and New Westminster, B.C.

1985 Operations—In 1985, the company again benefited from the positive growth in the Canadian economy. Because of a weak North American paperboard market, however, selling prices for corrugated products remained flat.

In early 1986, Schiffringhaus Canada Inc., a joint venture participation by the company, commenced operations in the flexographic pre-printing of linerboard.

Packaging, Europa Carton:

Containers—Europa Carton AG, based in Hamburg, is the leading producer of paper-based packaging in West Germany. Directly and through subsidiaries, the company operates a containerboard mill, a boxboard mill, a partition plant, eight corrugated container plants, and five folding carton plants located as follows: a containerboard (corrugated medium) mill at Viersen; a boxboard mill at Hoya; corrugated container plants at Lauenburg, Hamburg, Lübbecke, Düsseldorf, Jülich, Neuburg, Plattling and Gernersheim; folding carton plants at Bremen, Munich, Frankfurt, and Augsburg, Germany, and Sneek (The Netherlands); and a partition plant at Heppenheim. There are also waste paper collection and processing centres at Essen, Nürnberg, Eddele, Metten and Hamburg. The company also operates a marketing research institute and an industrial design institute in Hamburg.

1985 Operations—In 1985, Europa Carton's earnings rose 15% on 13% higher sales. Shipments of containers increased 4% to 375 millions of square metres; shipments of folding cartons were up 14% to 57,700 tonnes; and shipments of paperboard were 4% higher at 93,990 tonnes.

Capital spending was concentrated on the expansion of the corrugated container plant at Plattling, and on increased capacity for large, heavy-duty containers at the Hamburg plant. During 1985, the Folding Carton division acquired a modern plant at Sneek, The Netherlands, approximately 120 kilometres northeast of Amsterdam, which has the largest rotogravure press in the European packaging industry.

Economic forecasts for 1986 for the Federal Republic called for further moderate growth.

Oil and Gas

The company invested \$28.6 million in exploration for oil and gas in Canada in 1984, bringing the amount invested in its energy portfolio from late 1979 to Dec. 31, 1984 to a total of \$128 million down from \$175 million a year earlier as a result of writing down the Sulpetro investment to market value in December, 1984. No investment in the share portfolio was made during 1985.

Sceptre Resources Limited—At Dec. 31, 1985, the company held an 8% interest in Sceptre Resources. Sceptre is involved in oil and gas exploration in western

Canada, the United States, Indonesia and the Middle East.

1985 Operations—Sceptre's cash flow increased 5% in 1985 to \$45 million as higher production rates for all products offset declining natural gas prices. Net earnings declined to \$4.3 million, adversely affected by a \$5.5 million write-down of foreign exploration and a loss of \$6.8 million from the sale of High Plains Oil Corporation for \$20 million in December, 1985. The 1985 capital expenditure program totaled \$31 million in western Canada which resulted in important production increases. Crude oil and condensate production grew to 4,983 barrels per day and natural gas production to 50 million cubic feet per day.

In December, 1985, Consolidated-Bathurst wrote down its investment in Sceptre common shares by \$14 million to correspond to the year-end stock market value of \$9.5 million.

(For further information on Sceptre Resources, see separate Basic card on this company.)

Sulpetro Limited—At Dec. 31, 1985, the company held approximately 19% (13% fully diluted) interest in this company. Sulpetro Limited is engaged in exploration and production activities in Canada, the North Sea and onshore in the United Kingdom.

1985 Operations—During the year, a 53% increase in heavy oil production was achieved at Irish-Lindbergh. Sulpetro has an 18.5% interest in the Wapiti deep-cut facility, designed to recover up to 19,000 barrels per day of natural gas liquids, which started up in October, as well as sizeable interests in the Minnehik-Buck Lake recovery facility, which went into operation in early 1986, and the Wembley liquids recovery/gas cycling project scheduled to start up in mid-1986.

For the year ended Oct. 31, 1985, Sulpetro incurred a net loss of \$45.6 million. Decreases in operating revenues resulted from the sale of properties and from reduced prices received for its products.

In December, 1985, Consolidated-Bathurst wrote down its investment in Sulpetro common shares by \$3.3 million to correspond to the year-end stock market value of \$4.9 million. The company's investment of \$25 million in class B preferred shares of Sulpetro, made in October, 1984, as part of a complex refinancing, remained valued at cost.

(For further information on Sulpetro Limited, see separate Basic card on this company.)

Sulbath Exploration Ltd.—Sulbath Exploration was a joint venture exploration company formed in May, 1981 by the company and Sulpetro Limited. By October, 1984, the company had fulfilled its commitment to provide \$44.5 million for Sulbath drilling expenditures. At that time, the Sulbath agreement was terminated including the company's and Sulpetro's share exchange options. At Dec. 31, 1984, Sulpetro held 49.9% of Sulbath's common shares, Sulpetro's banker, 9.9% and Consolidated-Bathurst, 40.2%. Sulbath, through a 98%-owned partnership, purchased \$150 million of fully developed Canadian oil and gas properties from Sulpetro, funded by borrowing an equivalent amount in long-term debt. Sulbath purchased directly from Sulpetro \$10 million in proven non-producing natural gas properties, funded by issuing \$10 million of Sulbath convertible preferred shares to Sulpetro's principal banker. A development fund has been established through which Sulbath may farm-in on development drilling on Sulpetro oil and gas properties, financed by the purchase of up to \$70 million of Sulbath preferred shares by Sulpetro's banker. Purchase of the full amount by the bank would dilute Consolidated-Bathurst's equity in Sulbath to 21%. Sulpetro may force the conversion of all preferred and common shares of Sulbath into Sulpetro equity shares prior to Oct. 31, 1988, provided Sulpetro common shares have reached a minimum trading price level of \$13 per share. For purposes of the exchange, Consolidated-Bathurst's shares of Sulbath would be valued at cost while the Sulpetro equity received would be valued at a price equivalent to \$13 per Sulpetro common share.

1985 Operations—In 1985, Sulbath participated in 25 successful oil wells and 12 successful gas wells, with important discoveries at Evi, Leismer and Valhalla

in Alberta and at Alma on the Scotian Shelf. Capital expenditures totaled \$11 million, of which \$3 million were Development Fund projects financed by the purchase of Sulbath preferred shares by the bank. Sales of natural gas averaged 21 million cubic feet per day during 1985, while sales of crude oil and natural gas liquids totaled about 1,100 barrels per day. At Oct. 31, 1985, proven and probable reserves approximated nine million barrels crude oil and gas liquids and 250 billion cubic feet of natural gas.

Redgas Limited—Redgas, a wholly-owned subsidiary based in Redcliff, Alta., produces natural gas from shallow gas wells located on its freehold property. Gas produced by Redgas is sold to Domglas Inc., to fuel the Redcliff glass container plant furnaces, and to Trans-Canada PipeLines Limited for distribution through its pipeline network.

1985 Operations—During the year, operating cash flow exceeded \$3 million. Connection of six successful development wells drilled in December, 1985, into the existing gas gathering system was completed early in 1986.

Remington Energy Ltd.—Remington Energy Ltd. of Calgary has operated a joint venture exploration program in Alberta and B.C. since 1979, expending almost \$40 million from its inception to Dec. 31, 1985.

Recently, the exploration program has been concentrated in the Sikanni region of northeastern B.C., where the company holds 100% of the mineral rights over 36,000 hectares and will retain 75% to 85% interest in any production taken from successful wells.

1985 Operations—Drilling at Sikanni in 1985, resulted in two successful development wells and one exploratory dry hole, bringing the total number of successful wells in the project area to nine. Six of these wells are expected to be in production by the end of 1986.

CAPITAL EXPENDITURES

Capital expenditures in recent years have been as follows:

1976	\$56,678,000	1981	\$239,614,000
1977	53,783,000	1982	242,429,000
1978	47,475,000	1983	175,309,000
1979	91,169,000	1984	\$118,884,000
1980	143,152,000	1985	175,737,000

Capital expenditures by product segment have been as follows for the past two years:

	1985		1984*	
	\$000's	%	\$000's	%
Pulp & Paper Group:				
Newsprint & groundwood	104,200	59	60,800	51
Bleached kraft pulp	5,400	3	1,800	1
Paperboard	12,700	7	9,900	8
Lumber	800	1	400	1
	123,100	70	72,900	61
Packaging Group:				
CB Pak	27,600	16	29,600	25
Europa Carton	15,900	9	12,000	10
	43,500	25	41,600	35
Oil & gas	9,100	5	4,400	4
	175,700	100	118,900	100

Capital expenditures by geographical segment have been as follows for the past two years:

	1985		1984*	
	\$000's	%	\$000's	%
Canada	114,200	65	79,200	67
Western Europe	61,500	35	39,700	33
	175,700	100	118,900	100

*Capital expenditures in 1985 amounted to 175.7 million, of which 70% was for pulp and paper group projects, 25% for packaging group projects and 5% for oil and gas projects.

Pulp and paper group spending rose 69% to \$123.1 million and included \$32 million spent on a second denking line at the Bridgewater division in the U.K. and \$21 million for the modernization and speed-up of the Port Alfred division's No. 4 paper machine, the fourth and final newsprint machine there to be so improved. Packaging group spending of \$43.5 million was only slightly higher than in 1984.

Other important modernization projects going forward in 1986 are the new \$65 million chemi-thermo-mechanical pulp mill at Belgo division, a new bleaching line at the Bathurst pulp mill, and twin-wire additions to paper machines at Belgo and Wayagamack.

HISTORY

Consolidated Paper Corporation Limited was incorporated under Dominion charter on Aug. 28, 1931 (continued under the Canada Business Corporations Act by Certificate of Continuance issued Nov. 23, 1978) as a reorganization of the Canada Power & Paper Corporation, which had been incorporated on Jan. 16, 1928. In 1928, Canada Power & Paper Corporation had acquired Laurentide Company Limited and St. Maurice Valley Corporation as outlined under "Changes in Capital Stock". In September, 1929, it had acquired Port Alfred Pulp and Paper Corporation and Wayagamack Pulp & Paper Company, Limited, as outlined under "Changes in Capital Stock". Acquired with these constituent companies were Belgo Canadian Paper Co. Ltd., and The Anticosti Corporation; and other subsidiaries including Wayagamack News, Limited and Hal Bay Land & Building Company.

In June, 1930, the company acquired all the common stock of the Anglo-Canadian Pulp & Paper Mills, Limited, through an exchange of shares on the basis of 2 1/4 shares of Canada Power & Paper for each share of Anglo-Canadian, and also guaranteeing principal and interest on the debentures and dividends on the preference stock of Anglo-Canadian and the maintenance of net working capital at \$1,500,000.

At the time of the reorganization of Canada Power & Paper Corporation, the committee deemed it unwise to have the new company assume the obligations under the contract for the acquisition of a controlling interest in Anglo-Canadian Pulp & Paper Co., Ltd., and the shares of that company were, therefore, returned to it and it commenced to carry on as a separate entity.

The plan for reorganization of Canada Power & Paper Corporation was submitted on June 2, 1931, setting up Consolidated Paper Corporation Limited, which became effective as of Jan. 1, 1932. Capitalization of the old company at May 1, 1931, comprised \$103,832,266 in bonds, debentures and preferred stock, with 1,521,750 common shares outstanding. Capitalization of the new company as shown in the plan comprised \$52,627,596 in bonds, with 1,547,141 common shares outstanding. An additional \$8 million of bonds was pledged against bank loans. Distribution of the new company's securities is summarized under "Changes in Capital Stock".

On Sept. 17, 1938, the charters of Canada Power & Paper Corp., Belgo Canadian Paper Co. Ltd., Port Alfred Pulp & Paper Corp., St. Maurice Valley Corp., and Anticosti Corp. were surrendered. Late in 1939, the charters of Laurentide Company Ltd. and Laurentide Ottawa Co. Ltd. were surrendered.

In 1943, the charter of Consolidated Land Co. Ltd. was surrendered.

Control of Quebec Pulp & Paper Corp., previously held jointly with Price Brothers & Co. Ltd., was turned over to the Quebec Government at the latter's request in 1945.

During 1946, the name of the St. Maurice Valley 2,420 Company was changed to Consolidated Paper Sales, Limited.

Acquisition of certain assets of St. Regis Paper Co. (Canada) Ltd. by the company was effected Jan. 1, 1960. The assets included all the St. Regis multiwall bag and packaging system manufacturing facilities in Canada.

The purchase price was \$1.6 million in cash and the issue of 785,000 shares of the company (approx. 13% of the presently outstanding stock) to St. Regis' parent company, St. Regis Paper Company, New York. The price amounted to about \$35 million, based on value of the shares at that time.

St. Regis retained its Canadian timber limits as well as the securities held by St. Regis (Canada).

Following the purchase, Consolidated Paper incor-

porated a new company, St. Regis-Consolidated Packaging Ltd., to carry on the manufacturing operations of the four acquired plants located at Vancouver, B.C., Dryden, Ont., St. Lambert, Que., and Cap-de-la-Madelaine, Que.

In 1963, the company acquired Gillies Bros. & Co. Ltd. and incorporated St. Maurice Holdings Limited.

Consolidated Laurentide Inc. and Consolidated Pontiac Inc. were formed in 1964 for the company's projects at Laurentide Division and in Pontiac county, Que.

In February, 1965, a special agreement was made with Rolland Paper Company. The agreement covered exchange of technical aid, joint participation in certain ventures and the purchase by Rolland Paper of pulp from the company's Pontiac mill.

In March, 1965, the block of 785,100 common shares of Consolidated-Bathurst, held by St. Regis Paper Co. since early in 1960, was purchased by Power Corp. of Canada, Ltd.

Control of Bathurst Paper Limited was acquired through an offer made in November 1966. Under the terms of the offer each Bathurst class A share was exchangeable into two Consolidated preferred shares plus one share purchase warrant while each Bathurst common share was exchangeable into one Consolidated preferred share plus one-half of one share purchase warrant.

Bathurst warrants outstanding could have been exercised to acquire Bathurst shares, which could then have been turned in under the Consolidated offer. The warrant holders turned down an alternative proposal whereby the subscription rights of the holders would be altered to provide for the purchase of Consolidated shares.

The original offer expired Mar. 28, 1967, but was extended to a final expiry date of July 14, 1967. Under section 128 of the Canada Corporations Act, Consolidated subsequently acquired the remaining outstanding class A and common shares of Bathurst.

In May 1967, the company and Power Corp. of Canada Ltd. acquired 1,200,000 common shares (50.3%) of Dominion Glass Co. Ltd. at \$15 per share. Subsequently, the company increased its interest to 5,500 preferred shares and 655,147 common shares. In September 1968, the company agreed to sell its shares in Dominion Glass to Power Corp. for \$10,700,000.

By S.L.P. dated Sept. 30, 1967, effective Oct. 1, 1967, the name of the company was changed from Consolidated Paper Corporation Limited to Consolidated-Bathurst Limited. Also, Consolidated Paper Sales, Limited became Consolidated-Bathurst Newsprint Ltd., and St. Regis Consolidated Packaging Limited became Consolidated-Bathurst Packaging Limited.

During 1967, the company, through its U.S. subsidiary, Concel Inc., (formerly Consolidated Cellulose Products Inc.), purchased the business and assets of Doeskin Products Inc. for \$8,761,133 cash. Consolidated-Bathurst had previously held controlling interest in Doeskin following an offer made in March 1965 to purchase stock at \$5.25 (U.S.) per share. Concel also purchased Orchids Paper Products Co. and A.P.W. Products Co., Inc. along with its subsidiary, Ashland Paper Mills, Inc.

On Dec. 29, 1967, the company, through its subsidiary, St. Maurice Holdings Limited, acquired two German companies, Europa Carton AG and Bremer Papier und Wellpappen Fabrik GmbH.

On Dec. 18, 1969, the company converted the remaining holding in class A shares of Bathurst Paper Limited into common shares and on Dec. 23 purchased an additional 1,000,000 common shares at \$20 per share.

The outstanding minority interest in Twinpak Ltd. was acquired during 1970.

On Mar. 31, 1970, Power Corp. of Canada, Ltd. made a formal offer to acquire all of the common shares of the company, not already held, on the basis of 2½ common shares of Power Corp. for each Consolidated-Bathurst common share held. Prior to the offer, Power Corp. held, directly or indirectly, 994,700 shares or 16.6% of the company's common stock. The offer originally expired on Apr. 21, 1970, and was extended to June 2, 1970.

By June 30, 1970, 1,133,898 common shares were deposited under the offer, which, together with the original holding, gave Power Corp. 2,128,598 shares or 35.2% of the 6,042,604 common shares outstanding at that date.

In December, 1971, Bathurst Paper Ltd. transferred to the company its title to Bulkley Valley Forest Industries Ltd.; the investment was written off by the company as at Dec. 31, 1971, in the amount of \$18,837,001. By agreement effective Feb. 1, 1972, the company jointly with Bowaters Canadian Corp. Ltd. disposed of their combined 97% interest in Bulkley to Northwood Pulp Ltd. Under the terms of the agreement, the company was relieved of its undertaking to make further advances to Bulkley but remained contingently liable up to an aggregate amount estimated at \$10,600,000.

During the second half of 1972, the company sold all of the shares of Concel Inc., its wholly owned U.S. tissue subsidiary, to APL Corp. of Great Neck, N.Y., for a new series of APL preferred stock, valued at about \$2,000,000. Closing was subject to the prior disposal of Concel's eastern U.S. plants. These plants were subsequently sold or closed.

Also during 1972, the company completed the divestment of its interest in Bulkley Forest Industries Limited and phased out wood container operations at Markham, Ont.

In April, 1973, the company through Consolidated-Bathurst (DG) Ltd. (wholly owned) acquired 1,359,344 common shares or a 63% interest in Dominion Glass Co. Ltd. for a maximum price of \$21,750,000 or \$16 per share. Of this amount \$17,672,000 was paid with the balance payable on or before June 30, 1977, contingent upon the earnings performance of Dominion Glass. Subsequently, the company increased its interest to 68% of the common shares and 6% of the preferred shares.

In April, 1974, an offer was made to acquire the remaining issued and outstanding common and 7% cumulative preferred shares of Dominion Glass Co. Ltd. at \$14 per share. As a result a total of 208,438 preferred and 593,704 common shares were acquired bringing the number of shares held by Sept. 10, 1974, when the offer expired, to 222,738 or 97% of the outstanding preferred shares and 2,063,973 or 95% of the outstanding common shares.

In July, 1974, the company acquired Bobois Ltée and Lauenburger Wellpappenwerk GmbH, and in late 1974 acquired Dorchester Electronics Ltd.

On Nov. 20, 1974, Consolidated-Bathurst Pontiac Ltd. was formed to acquire the assets and business of the Pontiac mill at Portage-du-Fort, Que. and Consolidated Pontiac Inc.

Following an offer by Abitibi Paper Co. Ltd. on Nov. 14, 1974, to acquire a 49% interest in The Price Company Ltd. at \$18 per share, Consolidated-Bathurst acquired from Associated Newspapers Group of London, England, 1,860,770 shares (18% interest) of Price in exchange for 930,385 common shares of the company (12.9% interest) and subsequently made an offer to acquire an additional four million shares of Price at \$20 per share to increase the interest held in Price to just over 66%. On Nov. 21, 1974, Abitibi increased its bid for the shares of Price to \$25 per share. The company then sold 982,022 shares held in Price to Abitibi for \$24,550,550, leaving the company with 878,748 shares of Price. On Dec. 2, 1974, 337,822 shares of Price were exchanged for 255,000 preferred shares of the company.

On Dec. 15, 1974, the Province of Quebec agreed to pay \$23,700,000 for Anticosti Island, \$4,000,000 immediately and the balance in April, 1975, with 8% interest payable from the date of expropriation.

In September, 1975, the company purchased the assets of the Chicoutimi Sawmill division of Murdock Lumber Inc. of Chicoutimi, Que. Price was not disclosed.

Effective Jan. 1, 1976, Dominion Glass Company Limited (now Domglas Inc.) acquired all of the shares of Ampak Limited and its subsidiary and associated companies, Cymrac Plastics Limited and Plant-Kimble Ltd. (subsequently renamed National Pressed Glass

(1976) Ltd.) and the remaining 50% interest of Twinpak Ltd. for \$2,152,000.

Effective Jan. 1, 1976, Bremer Papier und Wellpappen Fabrik GmbH and Europa Carton AG were merged to continue under the latter name.

During 1976, the company bought Consolidated-Bathurst (Overseas) Ltd. from Bathurst Paper Limited.

In May, 1977, the company, through a wholly owned U.S. subsidiary, acquired a 25% interest in the shares of Diamond Glass Company of Royersford, Pa. Also in May, 1977, Europa Carton AG acquired three packaging plants in West Germany. Effective Sept. 29, 1977, the company, purchased all the outstanding shares of Brunswick Mills Limited for \$1,000,000. In late 1977, the company acquired a 20% equity interest in Forges HPC Ltée (written off in 1981).

In April 1978, shareholders approved the amalgamation of Domglas Ltd. and Consolidated-Bathurst (DG) Limited. The name of the amalgamated company is Domglas Inc. and minority shareholders received redeemable preferred shares of the new company which were redeemed shortly after amalgamation for \$20 per share. In October, 1978, the company sold its 1,001,000 shares of The Price Company Limited for \$23 per share to Abitibi Paper Company Ltd.

By Articles of Continuance dated Nov. 23, 1978, the corporate name of the company was changed to Consolidated-Bathurst Inc. from Consolidated-Bathurst Ltd.

In November, 1978, the company acquired approximately 1.75 million shares (9.4% interest) of Abitibi Paper Company Ltd. (now Abitibi-Price Inc.).

In 1979 a new subsidiary, Redgas Limited, was formed.

In fiscal 1979, the company purchased on the open market 325,700 common shares of Sceptre Resources Limited, and on Jan. 9, 1980, purchased for cash at \$10 a share, an additional 1,000,000 treasury shares of Sceptre. In July, 1980, the company purchased for \$6 million, 240,000 7% convertible second preferred shares of Sceptre. As a result of these purchases, the company's investment in Sceptre amounted to approximately \$19 million.

Also in 1979, Consolidated-Bathurst (N.B.) Limited and Brunswick Mills Limited were wound up.

In mid-1980, the company purchased 855,000 common shares and 14,000 preferred shares of Sulpetro Limited for \$19 million. Ampak Limited was merged into Twinpak Inc. in late 1980.

In February, 1981 the company sold its interest in Abitibi-Price Inc. for \$51,478,000. Also in early 1981 an agreement was reached by the company to acquire 2,000,000 class B shares of Sulpetro Limited to increase its interest to 20%. This purchase was completed in June, 1981.

On May 29, 1981, the company and Sulpetro Limited agreed to form a joint-venture oil and gas exploration company, subsequently named Sulbath Exploration Ltd. The company subscribed for slightly less than 50% of the shares of Sulbath, for which it agreed to pay up to \$50 million by installments to 1983. The company's shareholding in Sulbath is exchangeable into 1,650,000 class B non-voting common shares of Sulpetro between Dec. 31, 1983 and Feb. 1, 1985. If the company does not exercise this option, Sulpetro has the right, subject to certain conditions, to acquire the company's interest in Sulbath at a later date in exchange for its own shares or cash.

Also in 1981, the company formed Energexplore C-B Inc.; acquired 247,058 common shares of Joffe Resources Ltd. in exchange for its interest in a drilling fund; wrote off its 20% investment in Forges HPC Ltée; and increased its equity investment in Diamond Glass Company to a potential 50.5% interest through the acquisition of convertible preferred shares.

In October, 1981, Domglas Inc. transferred ownership of subsidiary, Redgas Limited, to wholly-owned Energexplore C-B Inc.

In December, 1981, Domglas acquired 100% of Ahlstrom Limited, which company was subsequently wound down to an operating division.

Effective May 1, 1983, the Bag Division was amalgamated into Twinpak Inc. to become that company's Flexible Packaging Division.

Effective July 1, 1983, the company merged its Canadian corrugated container operations (the Container Division) with the Canadian corrugated packaging operations of MacMillan Bloedel Inc. to form a new joint-venture company, MacMillan Bathurst Inc.

In August, 1983, the company's interest in Diamond-Bathurst Inc., holding company for Diamond Glass Company of Royersford, Pa., was reduced to 37%, following a public share issue by Diamond-Bathurst.

In October, 1983, the company sold the assets of its gas utility subsidiary, Canadian Western Power & Fuel Limited, to the town of Redcliff, Alta.

Also during 1983, the company's interest in Sceptre Resources Limited was reduced from 13% to 8% and the company wrote down its investment in Sulpetro Limited by \$12 million.

Effective Jan. 1, 1984, the company and its subsidiary, Bathurst Paper Limited, acquired CB Pak Inc. (inactive) and restructured it to become the holding company for certain of the company's North American packaging operations. The restructuring of CB Pak involved the following transactions: Domglas Inc. (owned 51% by the company and 49% by Bathurst Paper Limited) sold its subsidiary, Twinpak Inc., its 50% interest in Libbey-St. Clair Inc., and (through the sale of shares of Consolidated-Bathurst Holdings Limited) its 37% interest in Diamond-Bathurst Inc., to CB Pak Inc., in exchange for a preferred share of CB Pak, valued at (and subsequently redeemed for) \$60 million; and CB Pak Inc. acquired from the company and Bathurst Paper Limited, all of the outstanding shares of Domglas Inc. for consideration of \$100,535,204, paid by the issuance of common shares. Following the latter transaction, Consolidated-Bathurst and Bathurst Paper held 51% and 49%, respectively, of the outstanding shares of CB Pak.

In March, 1984, CB Pak made a public offering of 1,000,000 common shares (with warrants) from treasury and a further 1,000,000 common shares as a secondary offering from Consolidated-Bathurst. As a result, Consolidated-Bathurst's interest in CB Pak was reduced to 43.1% and Bathurst Paper's interest in CB Pak was reduced to 46.4%. Further reductions resulted in the company's interest totaling 35.9% and Bathurst Paper's 44%.

In 1984, Bridgewater Paper Company Limited was formed to promote the interests and products of the Bridgewater Division mill in the U.K. and to act as a holding company for the U.K. sales company, Consolidated-Bathurst (Overseas) Limited, which company was subsequently renamed Bridgewater Paper Sales Limited.

As a result of the financial restructuring of Sulbath Exploration Ltd. in October, 1984, the company's interest in Sulbath was reduced to 40%.

In April, 1985, 38%-owned Diamond-Bathurst Inc. acquired Container General Corporation of Chattanooga, Tenn. which was subsequently renamed Diamond Container General Inc.

Also in April, 1985, CB Pak Inc., owned 35.9% by the company and 44.0% by Bathurst Paper Limited, increased its ownership in Diamond-Bathurst Inc. to 48% from 38% with the purchase of an additional 1,800,000 shares for US\$11,500,000. In December, 1985, Diamond-Bathurst issued 975,000 shares and US\$80,000,000 in subordinated notes to the public. As a result of this refinancing, CB Pak's ownership of diamond-Bathurst at Dec. 31, 1985, stood at 42%.

Effective Mar. 1, 1985, Europa Carton AG, a wholly-owned subsidiary of Bathurst Paper Limited, acquired all of the shares of Europa Carton B.V. (formerly Menno Goemans B.V.), a folding cartons manufacturer in the Netherlands.

On July 1, 1985, Diamond-Bathurst acquired the current assets and most of the property plant and equipment of Thatcher Glass Corporation for US\$40 million.

On July 5, 1985, the company sold 1,261,400 shares of Canadian Pacific Limited at \$19.25 per share resulting in an after-tax gain of \$7,136,000.

MAJOR ACTIVE SUBSIDIARIES

All subsidiaries are wholly owned unless otherwise indicated.

Consolidated-Bathurst Pontiac Limited—Owns and operates a pulp mill at Portage-du-Fort, Que. Produces kraft pulp.

Consolidated Pontiac Inc.—Wholly owned by Consolidated-Bathurst Pontiac Limited. Sells in North America and in Europe kraft pulp produced at the Pontiac mill.

Consolidated-Bathurst Pulp and Paper Limited—Manages and administers the marketing of the basic mill products of the Bathurst mill.

Consolidated-Bathurst Newsprint Limited—Markets newsprint in Canada and overseas except in the United Kingdom. Owns residential lots and houses at New Richmond and Campbell's Bay, Que. and Renfrew, Ont.

Consolidated Newsprint, Inc.—Sells newsprint in the United States.

Consolidated-Bathurst Packaging Limited—Operates the assets and markets the products of the corrugated container and bag plants of Bathurst Paper Limited (see below).

Consolidated-Bathurst (Chile) Limited—Holds 11.5% of Bathurst Paper Limited.

Bathurst Paper Limited—Owned 88.5% by the company and 11.5% by Consolidated-Bathurst (Chile) Limited. Operated by Consolidated-Bathurst Packaging Limited. (For details of operations, see page 20). Has the following subsidiaries: **Consolidated-Bathurst Paper Sales Limited** (wholly owned) which sells kraft linerboard, corrugated medium, kraft paper and boxboard; **St. Maurice Holdings Limited** (wholly owned), a holding company which has wholly owned subsidiaries, **Consolidated-Bathurst (ECA) Inc.** and **Consolidated-Bathurst (BPW) Inc.**, which in turn hold investments in non-Canadian subsidiaries, including a 50% interest each in **Europa Carton AG**, Werner Woitas, chm. managing board, which manufactures paperboard packaging materials, corrugated shipping containers and folding cartons in West Germany. Europa Carton's wholly owned subsidiary, **Obpacher Verlag**, of Munich, distributes greeting cards and gift wrapping paper; and its wholly owned subsidiary, **Europa Carton B.V.**, of Sneek, The Netherlands, manufactures folding carton products.

CB Pak Inc.—Montreal, Que. Owned 35.8% by the company and 44.0% by Bathurst Paper Limited. Holding company for most of the company's North American packaging operations. (For further details, see separate Basic card on CB Pak Inc.) Has the following subsidiaries: **Domglas Inc.**, 2070 Hadwin Rd., Mississauga, Ont. L5K 2C9, R. J. Simpson, pres., (wholly owned) which manufactures and sells glass containers and industrial glass products in Canada through the **Glass Container Division** and the **National Pressed Glass Division**; **Twinpak Inc.**, (wholly owned) which produces and distributes a wide range of plastic packaging products, both rigid and flexible, and distributes general-line packaging products through the following three divisions, the **Rigid Plastics and Liquid Packaging Systems Division**, the **Flexible Packaging Division** and the **Packaging Distribution Division** (Ampak) and also has **Twinpak Pressform Inc.** of Regina, a plastic container manufacturer and 58% interest in **Twinpak Atlantic Inc.** of Moncton, N.B., which manufactures and sells plastic bottles; **Consolidated-Bathurst Holdings Inc.** (wholly owned) a holding company for U.S. packaging operations; and **Diamond-Bathurst Inc.** (42% owned); F. B. Foster III, pres., Malvern, Pa.; which manufactures and distributes glass bottles in the United States and has wholly owned subsidiary, **Diamond Glass Company**, a glass bottle manufacturer located in Royersford, Pa.; and wholly owned subsidiary, **Diamond Container General Inc.**

Energexplore C-B Inc.—Wholly owned. Has wholly owned subsidiary, **Redgas Limited**, which produces natural gas from company owned properties in Redcliff, Alta. supplies gas to the Redcliff glass plant and has a

contract for gas delivery with TransCanada PipeLines Limited.

Bridgewater Paper Company Limited—Wholly owned; M. A. Pelham, man. dir. Promotes products manufactured by the Bridgewater Division mill in the United Kingdom. Has wholly owned subsidiary, **Bridgewater Paper Sales Limited**.

Gillies Inc.—Wholly owned. Marketing company.

JOINT VENTURE

MacMillan Bathurst Inc.—Owned 50% by wholly owned Bathurst Paper Ltd.; 50% by MacMillan Bloedel Limited. T. W. Haiplik, pres. A leading manufacturer of corrugated containers in Canada.

Libbey-St. Clair Inc.—Mississauga, Ont. A joint venture company owned 50% by CB Pak Inc. and 50% by Owens-Illinois, Inc. R. A. Graham, pres. Manufactures and sells glass tableware at a plant in Wallaceburg, Ont.

OTHER INTERESTS

Sceptre Resources Limited—Calgary, Alta.; 8% interest held. Engaged in oil and gas exploration in western Canada, the U.S., Indonesia and the Middle East. For further details, see separate basic card on this company.

Sulpetro Limited—Calgary, Alta. The company holds a 19% interest (13% fully diluted) in Sulpetro which explores for and produces petroleum and natural gas in Canada, the North Sea and onshore in the United Kingdom. For further details on this company, see separate basic card.

Sulbath Exploration Ltd.—Calgary, Alta. An exploration and development company held 49.9% by Sulpetro, 9.9% by Sulpetro's principal banker and 40.2% by the company. In 1984, a Development Fund was established to be financed by the purchase of up to \$70 million Sulbath preferred shares by Sulpetro's banker. Conversion of the full amount of convertible preferred shares by the bank would dilute the company's equity in Sulbath to 34%.

Remington Energy Ltd.—Calgary, Alta. Operates a joint-venture exploration program for the company in Alberta and British Columbia.

OFFICERS AND DIRECTORS

Officers—W. I. M. Turner, Jr., chm. & CEO; T. O. Stangeland, pres. & COO; J. D. Andrew, exec. v-p; Guy Dufresne, sr. group v-p, North Amer. pulp and paper ops.; A. K. Narang, sr. group v-p, planning, systems and U.K. newsprint ops.; J. E. Souccar, sr. group v-p, North Amer. packaging; M. deB. Strath, sr. v-p, pulp & paper mktg.; W. B. Scott, v-p, U.K. newsprint ops.; J. A. D. Brunet, v-p, medical services; N. A. Grundy, v-p, int'l.; K. R. Hughes, v-p, newsprint sales; Armand Legault, v-p, woodlands; P. S. Echenberg, v-p, plastics & bag div.; B. G. Duns, v-p, pulp, kraft and paperboard sales; T. J. Wagg, v-p, fin.; Raymond Felix, v-p, mfg.; J.-J. Carrier, v-p & cont.; J. M. Dawson, sec.; C. G. Fraser, treas.; E. C. Robichaud, asst. sec.

Directors—P. G. Desmarais, André Desmarais, J. W. Burns, W. D. Mulholland, Jean Simard, T. O. Stangeland, H. R. Crabtree, W. I. M. Turner, Jr., A. F. Knowles, P. N. Thomson, Pierre Arbour, Montreal; Pierre Côté, Quebec City; R. A. Bandeen, D. A. Berlitz, Toronto; R. M. P. Shields, London, Eng.; J. M. Seabrook, Philadelphia, Pa.; K. A. Randall, New Canaan, Conn.; The Rt. Hon. The Viscount Rothermere, London, Eng.

CAPITAL STOCK

(As at December 31, 1985)

	Author.	Outstand.
Preferred	6,000,000 shs.	
1986 series		780,626 shs.
2nd Preferred	Unlimited	
Series A		800,000 shs.
Series B		700,000 shs.
Series C		2,000,000 shs.
Common	Unlimited	
Series A		49,263,690 shs.
Series B		1,736,117 shs.

1984 Employee Share Option Plan—In 1984, options were granted to a number of officers and employees to purchase, until Dec. 31, 1989, up to an aggregate of 587,000 common shares of the company at \$14.50 per share. At Dec. 31, 1985, 379,900 shares had been issued under this plan.

6% Preferred Shares, 1966 Series—Entitled to fixed cumulative, preferential dividends of \$1.50 per share per annum, payable quarterly on the 1st day of Feb., May, Aug., and Nov.

Non-redeemable on or before Mar. 31, 1975; thereafter redeemable at the option of the company in whole or in part on at least 30 days' notice at \$26 per share plus accrued and unpaid dividends. The company will have the right to purchase preferred shares, 1966 series, for cancellation in the market or by tender at a price not exceeding the current redemption price plus accrued dividends and costs of purchase.

In the event of involuntary liquidation, dissolution, or winding-up, entitled to amount paid-up thereon; and, if voluntary, entitled to an additional amount equal to the current redemption price; plus, in either case, unpaid dividends.

Purchase Fund—Commencing with the calendar year 1975, the company shall make all reasonable efforts to purchase each year 2% of the aggregate amount of preferred shares, 1966 series, issued at a price not exceeding the current redemption price plus costs of purchase provided that this commitment shall not be cumulative.

Voting—Non-voting, unless eight quarterly dividends of any one series in arrears when, as a class, entitled to elect two directors, until all arrears eliminated.

Additional Issue—No additional series of preferred shares or shares ranking *pari passu* shall be issued without prior approval of the holders of the preferred shares 1966 series unless the average annual consolidated net earnings of the company and subsidiaries for the two immediately preceding fiscal years shall have been at least two and one-half times annual dividend requirements of all the preferred shares of any class to be outstanding.

Warrants—When issued the preferred shares, 1966 series, were accompanied by share purchase warrants. Each warrant entitled the holder thereof to subscribe for one common share at \$40 per share to and including Mar. 31, 1971, and at \$45 to and including Mar. 31, 1975 when warrants expired.

Other Provisions—The company shall not issue any shares ranking as to payment of dividends or repayment of capital in priority to the preferred shares without prior approval of the holders of the preferred shares. Except with approval of the preferred shareholders, the company shall not declare or pay any dividends on its common shares or other shares ranking junior to the preferred shares if, immediately after giving effect to such action, the aggregate of all dividends (other than stock dividends) declared and/or paid in respect of all shares of the company subsequent to Dec. 31, 1965, would be in excess of consolidated net earnings (as defined) of the company and subsidiaries earned after Dec. 31, 1965, plus \$25 million.

Second Preferred—Total authorized number of preferred shares is unlimited, without par value.

General Provisions—Issuable in series at the discretion of the directors. The second preferred shares rank junior to the preferred shares and senior to the common shares with respect to the payment of dividends and the distribution of capital on liquidation, dissolution or winding-up of the company.

Class provisions of the second preferred shares may be amended with the approval in writing of all holders of such shares or by the affirmative vote of at least two-thirds of the votes cast at a meeting of such shareholders at which at least 50% of the outstanding shares is represented.

The company may, without the approval of the holders of the second preferred, create any new class of shares ranking prior to or on a parity with the second preferred shares.

\$5.75 Retractable Second Preferred, Series A:

Entitled to fixed cumulative preferential cash dividends of \$5.75 per share per annum, payable quarterly on the 15th day of Jan., Apr., July and Oct.

In the event of liquidation, dissolution, etc. entitled to \$50 per share plus accrued dividends.

Redemption—Non-redeemable prior to Apr. 15, 1988. On and after that date, redeemable at the option of the company in whole or in part on not less than 30 days' notice at the following prices if redeemed prior to Apr. 15 in each year as follows:

1989 .. \$52.00	1991 .. \$51.20	1993 .. \$50.40
1990 \$1.60	1992 \$0.80	

and thereafter at \$50 per share; in each case plus accrued dividends.

The company may at any time purchase for cancellation on the open market or by tender all or any part of the series A second preferred shares at a price per share, if purchased prior to Apr. 15, 1988, not exceeding \$52 per share plus accrued dividends, and thereafter at not exceeding the then current redemption price; in each case plus costs of purchase.

Purchase Obligation—The company will make reasonable efforts to purchase for cancellation in the open market in each calendar quarter (except during 1988) commencing with the calendar quarter beginning Jan. 1, 1983, the following number of series A second preferred shares at a price not exceeding \$50 per share plus costs of purchase: During the period from Jan. 1, 1983 to Dec. 31, 1987, 4,000 series A second preferred shares per calendar quarter (2% per year); and commencing Jan. 1, 1989, 1% per calendar quarter (4% per year) of the number of series A second preferred shares outstanding at the close of business on Dec. 31, 1988. Purchase obligation is cumulative only within each calendar year.

Retraction Privilege—Retractable at the option of the holder on Apr. 15, 1988, at \$50 per share plus accrued dividends. Such privilege must be exercised at least 45 days prior to the retraction date by deposit with the transfer agent of the share certificates to be redeemed. The company will give at least 75 days' prior notice of the retraction date.

In addition to the retraction privilege, the company may elect, by giving at least 35 days' notice prior to the retraction date, to create a further series of preferred shares into which the series A second preferred shares may be converted at the holder's option. Holders of series A second preferred shares must exercise their right to exchange during a conversion period commencing no later than the retraction date and ending no earlier than six months after such date.

Restrictive Covenant—Certain restrictions are placed on the issuance of further shares, payment of dividends and retirement of shares.

Voting—Not entitled to vote unless eight quarterly dividends in arrears, when entitled, voting separately as a class, to elect two directors of the company.

Purpose of Issue—Net proceeds used to repay short-term borrowings with balance used to reduce advances outstanding under the revolving credit facilities.

Offered—800,000 shares on Oct. 26, 1982, at \$50 per share to yield 11.5% per annum, by a group headed by Nesbitt Thomson Bongard Inc., Wood Gundy Ltd. and Geoffroy, Leclerc Inc.

US\$5.25 Retractable Second Preferred, Series B:

Entitled to fixed cumulative preferential cash dividends of US\$5.25 per share per annum, payable quarterly on the 15th day of Jan., Apr., July and Oct.

In the event of liquidation, dissolution, etc. entitled to US\$50 per share plus accrued dividends.

Redemption—Non-redeemable prior to Apr. 15, 1988. On and after that date redeemable at the option of the company in whole or in part on not less than 30 days' notice at the following prices if redeemed prior to Apr. 15 in each year as follows:

1989 US\$52.00	1991 US\$51.20	1993 US\$50.40
1990 \$1.60	1992 \$0.80	

and thereafter at US\$50 per share; in each case plus accrued dividends.

The company may at any time purchase for cancellation in the open market or by tender all or any part of the series B second preferred shares at a price per share, if purchased prior to Apr. 15, 1988, not exceeding US\$52 per share plus accrued dividend, and if purchased thereafter, at not exceeding the then current redemption price; in each case plus costs of purchase.

Purchase Obligation—The company will make reasonable efforts to purchase for cancellation in each calendar quarter (except during 1988) commencing with the calendar quarter beginning Jan. 1, 1983, the following number of series B second preferred shares at a price not exceeding US\$50 per share plus costs of purchase: During the period from Jan. 1, 1983 to Dec. 31, 1987, 3,500 series B second preferred shares per calendar quarter (2% per year); and commencing Jan. 1, 1989, 1% per calendar quarter (4% per year) of the number of series B second preferred shares outstanding at the close of business on Dec. 31, 1988. Purchase obligation is cumulative only within each calendar year.

Retraction Privilege—Retractable at the option of the holder on Apr. 15, 1988, at US\$50 per share plus accrued dividends. Such privilege must be exercised at least 45 days prior to the retraction date by deposit with the transfer agent of the share certificates to be redeemed. The company shall give at least 75 days' prior notice of the retraction date.

In addition to the retraction privilege, the company may elect, by giving at least 35 days' prior notice to the retraction date, to create a further series of preferred shares into which the series B second preferred shares may be converted at the holder's option. Holders of series B second preferred shares must exercise their right to exchange during a conversion period commencing no later than the series B retraction date and ending no earlier than six months after such date.

Currency—The holders of the series B second preferred shares may elect to receive the U.S. dollar dividend, retraction, redemption and liquidation payments in the Canadian dollar equivalent thereof.

Voting, Restrictive Covenants and Purpose of Issue—Same as for series A second preferred shares.

Offered—700,000 shares on Oct. 26, 1982, at US\$50 per share to yield 10.5% per annum, by a group headed by Nesbitt Thomson Bongard Inc., Wood Gundy Ltd. and Geoffrion, Leclerc Inc.

Second Preferred, Series C:

Entitled to fixed cumulative preferential cash dividends of \$2.04 per share per annum until Dec. 31, 1990, payable quarterly on the last day of Mar., June, Sept. and Dec.; thereafter entitled to quarterly payments of one quarter of 70% of the average of the prime rate of two Canadian chartered banks in effect on each day during the three calendar months ending on the last day of the calendar month preceding the month in which the dividend payment is to be made.

In the event of liquidation, dissolution, etc., entitled to \$25 per share plus accrued dividends.

Redemption—Non-redeemable prior to Dec. 31, 1990. On and after that date, redeemable at the option of the company in whole or in part on not less than 30 days' notice at \$25 per share.

Purchase Obligation—The company will make all reasonable efforts to purchase for cancellation in the open market at a price not exceeding \$25 per share plus costs of purchase, 10,000 preferred shares, series C in each calendar quarter during the period from Jan. 1, 1986 to Dec. 31, 1990, and 20,000 preferred shares, series C during each calendar quarter thereafter. Purchase obligation is cumulative only within each calendar year.

Purchase for Cancellation—The company is permitted at any time to purchase for cancellation all or any part of the series C preferred shares on the open market or by invitation for tender to all holders of series C preferred shares or otherwise at a price not exceeding \$25 per share plus all accrued and unpaid dividends.

Restrictive Covenant—Certain restrictions are

placed on the issuance of further shares, payment of dividends and retirement of shares.

Voting—Not entitled to vote unless eight quarterly dividends in arrears, when entitled, voting separately as a class, to elect two directors of the company.

Registrar and Transfer Agent—Montreal Trust Company.

Purpose of Issue—Net proceeds used for general corporate purposes.

Offered—2,000,000 shares on Dec. 31, 1985, at \$25 per share by a group headed by Nesbitt Thomson Bongard Ltée, Wood Gundy Inc. and Geoffrion, Leclerc Inc.

Series A and B Common—The series A and B common shares are inter-convertible at the holder's option on a share-for-share basis and rank equally in all respects except that dividends on the series B common shares are paid, on an equivalent basis, in the form of additional series B shares in lieu of cash.

CHANGES IN CAPITAL STOCK

The original company (Canada Power & Paper Corporation) had a capitalization of 750,000 no par value common shares, of which 288,000 shares were issued, on a share-for-share basis, for the shares of Laurentide Company, Limited, together with \$28,800,000 5½% collateral trust debentures of Canada Power & Paper Corporation.

400,000 shares were issued on a basis of 2½ shares for each share of St. Maurice Valley Corporation, for the business of that company, so that as at Dec. 31, 1928, a total amount of 688,000 common shares of the company were outstanding.

On Oct. 25, 1929, the capital stock was increased to an authorized amount of 2,000,000 no par value common shares.

During 1929, 330,000 shares were issued on a basis of 2½ shares of Canada Power & Paper Corporation for each share of Port Alfred Pulp and Paper Corporation for the business of that company—and 200,000 shares were issued on a basis of 1½ shares of Canada Power & Paper Corporation for each share of Wayagamack Pulp and Paper Company, Limited, together with \$6,666,700 5½% collateral trust bonds for the business of that company.

As at Dec. 31, 1929, there were, therefore, 1,218,000 no par value common shares of the company outstanding.

During 1930, 303,750 common shares of the company were exchanged for 135,000 common shares of Anglo-Canadian Pulp and Paper Mills Limited on the basis of 2½ shares of Canada Power & Paper Co. for each share of Anglo-Canadian.

Upon formation of the Consolidated Paper Corporation Limited, shareholders received one new share for each ten old shares held and debentureholders and bond and shareholders of subsidiary companies became entitled to receive securities of Consolidated Paper Corporation in exchange for their holdings on the following basis:

Old Securities:	Bonds	Consol. Paper Com. Stock shs. (old)
Belgo: Bonds, per \$100	125	1
Pref. stock, per sh.	...	3
Wayagamack Pulp:	125	1
Bonds, per \$100	100	1
Pt. Alfred: Bonds, per \$100	100	1
Debentures, per \$20	■	■
Pref., stock, per sh.	...	1½
St. Maurice:	100	1
Bonds, per \$100 "A" & "B"	■	■
Debentures, per \$20	■	■
Pref. stock	▲	▲
Anticosti: Bonds, per \$100	100	1
Pref. stock, per sh.	...	1½
Canada P. & P.:	15	1½
Debentures, per \$100†	...	1
Com. stock, per 10 shs.	...	1

■ For each \$20 first mortgage registered debenture stock, \$20 of Consolidated Paper first mortgage ster-

ling debenture stock and 1 share Consolidated Paper common stock.

▲One and one half old shares of Consolidated Paper common stock for each \$100, or for each 20 shares of \$5 (1) preferred.

†Laurentide or Wayagamack series.

Note—Provision was made in the plan so that the odd common shares of Belgo, Pt. Alfred, St. Maurice and Wayagamack, outstanding in the hands of the public, might be exchanged for new shares.

On Dec. 15, 1936, shareholders approved an increase in capital stock from 2,000,000 to 3,500,000 shares. The purpose of this increase was to allow the payment of bond interest in stock during the period 1936 to 1941. Under this arrangement, interest for the three-year period from July 2, 1936 to July 2, 1939 was settled by issue of 15 common shares for each \$1,000 principal amount of bonds; and interest due July 2, 1940 was settled by issue of five shares per \$1,000 of bonds. At Dec. 31, 1940, there were 2,549,942 shares outstanding.

By S.L.P. dated May 6, 1955, capital stock was split on a 2-for-1 basis thereby increasing the authorized capital to 7,000,000 no par value shares.

During 1956, 36 shares issued for 5½% bond interest due July 2, 1940, in 1957, 86 additional shares and in 1958, 32 additional shares were issued in payment of interest. During 1959, 66 shares were issued under the 1940 arrangement in payment of interest.

During 1960, 785,000 shares were issued to St. Regis Paper Co. (Canada) Ltd. as part payment for certain of its assets, and 21 shares for 5½% bond interest due July 2, 1940. An additional two shares were issued in 1962, bringing outstanding shares to 5,917,785.

During 1964, 26 shares were issued.

In November 1966, the shareholders approved an increase from 7,000,000 to 10,000,000 in the number of authorized common shares; the creation of 4,000,000 preferred shares of \$25 par value, issuable in series; and the designation of 2,000,000 preferred shares as 6% cumulative redeemable preferred shares, 1966 series. To Dec. 31, 1966, 1,325,514 preferred shares were issued under the November, 1966, offer for Bathurst Paper shares (see History), and one additional common share was issued.

During 1967, 563,630 preferred shares and five common shares were issued.

In 1968, one common share was issued and in 1969, 82,526 common shares were issued under stock purchase plans and 210 shares for 1968 share purchase warrants.

During 1970, 42,020 common shares were issued under the company's stock purchase plan and 30 common shares were issued upon exercise of warrants.

During 1972, 17,000 and in 1973, 242,200 common shares were issued under the stock option plan.

During 1974, 646,025 preferred shares were acquired for cancellation, 930,385 common shares were issued in consideration for shares of The Price Company, options were exercised on 1,400 common shares and 15 common shares were issued under 1968 share purchase warrants.

By S.L.P. dated Apr. 1, 1975, the company increased authorized capital to 15,000,000 common shares of no par value. By S.L.P. dated Nov. 24, 1975, the company reclassified its existing common shares into a like number of class A common shares and created an additional 15,000,000 class B common shares.

During 1975, 120,435 preferred shares were cancelled, 6,400 class A common shares were issued under options, and 30 class A common shares were issued under share purchase warrants.

During 1976, 38,929 preferred shares were acquired for cancellation and 55,425 class A common shares were issued under share purchase warrants.

During 1977, 37,947 preferred shares were acquired for cancellation and 75 class A common shares were issued under share purchase warrants.

On July 28, 1978, the board authorized the creation and issue of 800,000 cumulative redeemable preferred shares, 1978 series, with a par value of \$25. By

Articles of Continuance effective Nov. 23, 1978, the class A and B common shares were split on a 3-for-1 basis and the authorization was changed to an unlimited amount, and the authorized number of preferred shares was increased to 6,000,000 shares.

During 1978, the following changes to capital stock were made: issuance of 495,390 class A common shares upon the exercise of warrants; the issuance of 800,000 preferred shares, 1978 series and 43,218 preferred shares, 1966 series; the purchase and cancellation of 37,870 preferred shares, 1966 series; and the transfer of \$72,741,000 from retained earnings to common stock under the provisions of Section 83(1) of the Income Tax Act of Canada and Section 395 of the Taxation Act of Quebec.

By Certificate of Amendment effective May 2, 1979, the company's class A and B common shares were reclassified as series A and B common shares, respectively. In addition, the company received authorization to create a further series of common shares, to issue an unlimited number of common shares in each series, and to pay dividends on the series B shares in the form of stock dividends.

In fiscal 1979, 38,688 preferred shares, 1966 series, were purchased for cancellation and 1,940 preferred shares, 1966 series, were issued at \$25 a share. Also 24,073 common shares, series A, and 15,073 common shares, series B, were issued under the 1979 share purchase plan to Quebec residents at \$12.875 per share, 17,500 common shares, series A, and 99,500 series B, were issued under the 1979 share option plan, 249,941 common shares, series B, were issued as stock dividends, and 720,694 common shares, series A, and 16,023 common shares, series B, were purchased or contracted to purchase for cancellation.

During 1980, 38,700 preferred, 1966 series shares, 397,700 series A and 22,757 series B shares were purchased for cancellation. Also during the year, 53,647 class A and 22,424 class B shares were issued under stock plans, 774,667 class B shares were issued as stock dividends.

During 1981, 39,100 preferred shares, 1966 series, 80,000 preferred shares, 1978 series and 556,500 series A common shares were purchased for cancellation, 13,908 series A common and 6,560 series B common shares were issued under the 1981 share purchase plan, 34,700 series A common and 8,200 series B common shares were issued under the 1979 share option plan, and 436,546 series B common shares were issued as stock dividends.

During 1982, 38,867 1966 series preferred shares and 80,000 1978 series preferred shares were purchased for cancellation, an unlimited number of second preferred shares were authorized, of which 800,000 series A and 700,000 series B second preferred shares were issued, 15,815 series A common and 8,692 series B common shares were issued under a 1982 share purchase plan, 7,900 series A common and 2,600 series B common shares were issued under share option plan, 546,362 series A common shares were purchased for cancellation and 525,521 series B common shares were issued as stock dividends.

During 1983, the remaining 640,000 preferred shares, 1978 series, were redeemed at \$25 per share; 39,000 preferred shares, 1966 series, were purchased for cancellation; 203,714 series B common shares were issued as stock dividends; 14,105 series A and 7,357 series B common shares were issued under the 1983 share purchase plan; 7,000 series A and 1,700 series B common shares were issued under the 1979 share option plan; and 193,900 series A common shares were purchased for cancellation. Following interconversions of series A and B common shares, capital stock outstanding at Dec. 31, 1983, comprised 858,741 preferred, 1966 series, 800,000 second preferred, series A, 700,000 second preferred, series B, 17,255,024 series A common and 5,224,175 series B common shares.

On Aug. 21, 1984, shareholders approved a 2-for-1 split of the series A and B common shares.

During 1984, 38,800 1966 preferred shares were purchased for cancellation; 92,369 series B common

shares were issued as stock dividends; 127,200 series A common and 234,900 series B common shares were issued under the 1984 share option plan; 39,280 series A and 12,332 series B common shares were issued under other plans; and 409,700 series A common shares were purchased for cancellation. Following the conversion of 8,370,675 series B into a like number of series A common shares, capital stock outstanding at Dec. 31, 1984 comprised 819,941 1966 preferred, 800,000 second preferred, series A, 700,000 second preferred, series B, 42,637,503 series A common and 2,417,276 series B common shares.

On Apr. 23, 1985, an additional 6,000,000 common shares were issued at a price of \$16.75 per share, 3,616,000 shares to the public and 2,384,000 to Power Corporation of Canada. Of the total number of shares issued, 5,950,457 were Series A and 49,525 were series B common shares.

On Dec. 31, 1985, 2,000,000 cumulative redeemable second preferred shares, series C, were issued at \$25 per share.

Also during 1985, 39,315 preferred shares, 1966 series, were purchased for cancellation; 76,858 series B common shares were issued as stock dividends; 12,400 series A common and 5,400 series B common shares were issued under the 1984 share option plan; 14,289 series A and 6,981 series B common shares were issued under other plans; and 170,900 series A common shares were purchased for cancellation. Following the conversion of 819,923 series B into a like number of series A common shares, capital stock outstanding at Dec. 31, 1985 comprised 780,626 1966 preferred, 800,000 second preferred, series A, 700,000 second preferred, series B, 2,000,000 second preferred, series C, 49,263,690 series A common and 1,736,117 series B common shares.

PRICE RANGE OF STOCK Preferred 1966 Series

Year	High	Low	Year	High	Low
1976	\$17.13	\$15.13	1981	\$17.25	\$10.38
1977	18.88	15.75	1982	14.25	10.50
1978	20.25	17.25	1983	16.25	12.88
1979	19.88	16.50	1984	17.00	14.50
1980	18.00	13.75	1985	19.50	16.13

\$5.75 Second Preferred, Series A

Year	High	Low	Year	High	Low
1982	\$49.75	\$49.50	1984	\$57.75	\$52.50
1983	57.50	50.00	1985	57.00	54.00

□ Listed Dec. 31.

US\$5.25 Second Preferred, Series B

Year	High	Low	Year	High	Low
1982	\$50.38	\$50.00	1984	\$55.50	\$51.00
1983	54.00	49.50	1985	56.50	52.00

□ Listed Dec. 31.

Series A Common*

Year	High	Low	Year	High	Low
1976	\$38.38	\$25.25	1981	\$29.88	\$16.50
1977	29.50	19.50	1982	18.75	13.63
1978	14.38	7.00	1983	26.75	16.13
1979	15.13	11.50	1984	16.75	12.63
1980	25.50	13.50	1985	19.13	15.00

*Classified as common stock to Nov. 24, 1975, thereafter as class A common stock to May 2, 1979.

■ Adjusted throughout the year for the 3-for-1 split in November, 1978.

▲ Adjusted for 2-for-1 split, August, 1984.

Series B Common*

Year	High	Low	Year	High	Low
1976	\$37.00	\$32.88	1981	\$29.88	\$18.75
1977	27.38	25.38	1982	17.88	13.75
1978	13.75	7.25	1983	26.00	16.88
1979	14.75	12.63	1984	16.00	13.13
1980	22.50	16.00	1985	18.38	15.13

*Classified as class B common stock to May 2, 1979.

■ Adjusted throughout the year for the 3-for-1 split in November, 1978.

▲ Adjusted for 2-for-1 split, August, 1984.

DIVIDENDS

6% Preferred, 1966 series—Entitled to \$1.50 per share per annum, payable quarterly on Feb., May, Aug.

and Nov. 1; cumulative from Nov. 1, 1966. Initial dividend of 38 cents was paid Feb. 1, 1967, and regular quarterly payments were made in alternate amounts of 37 cents and 38 cents per share to Feb. 1, 1971, inclusive. Thereafter no dividends were paid until Nov. 1, 1972, when payments were resumed with the quarterly dividend of 37 cents per share; alternate quarterly payments of 38 cents and 37 cents per share have been made since.

Payment on arrears have been made as follows: 37 cents per share on Feb. 1, 1973; 38 cents per share on May 1, 1973; 37 cents per share on Aug. 1, 1973; 38 cents per share on Nov. 1, 1973; and a final payment of 75 cents per share on Dec. 28, 1973, completing payment on the arrears of \$2.25 per share.

Second Preferred, series A—Entitled to \$5.75 per share per annum. Initial \$2.3827 paid Apr. 15, 1983; \$1.4375 per share paid July 15, 1983, and regularly, quarterly since.

Second Preferred, series B—Entitled to US\$5.25 per share per annum. Initial US\$2.1755 paid Apr. 15, 1983; US\$1.3125 per share paid July 15, 1983, and regularly, quarterly since.

Second Preferred, series C—Entitled to \$2.04 per share per annum until Dec. 31, 1990, payable quarterly on the last day of Mar., June, Sept. and Dec.; thereafter entitled to quarterly payments of one quarter of 70% of the average of the prime rate of two Canadian chartered banks in effect on each day during the three calendar months ending on the last day of the calendar month preceding the month in which the dividend payment is to be made. Initial dividend of 51 cents per share was paid Mar. 31, 1986.

Series A and B Common—Dividends are currently being paid at the rate of 60 cents per share per annum established with the quarterly dividend of 15 cents per series A common share on Dec. 17, 1984 (first following the 2-for-1 split in August, 1984). Previously a dividend of 30 cents per pre-split share was paid on Sept. 17, 1984. Dividends on the series B common shares are paid at an equivalent rate to that paid on the series A common shares but are paid in the form of additional series B shares.

Initial payment was 50 cents per share, paid Mar. 1, 1946; \$1.00 per share was paid Jan. 24, 1947, and 50 cents Sept. 20, 1947; 50 cents per share was paid semiannually January and July from Jan. 17, 1948, to Jan. 17, 1950, inclusive, and 75 cents per share from July 17, 1950, to July 23, 1953, inclusive. Subsequently, quarterly payments of 37 1/2 cents per share were made Jan., Apr., July and Oct. 23, from Oct. 23, 1953, to and including Jan. 24, 1955. The last dividend paid on the old stock (prior to the 2-for-1 stock split in May, 1955) was 50 cents per share on Apr. 15, 1955.

Following the 2-for-1 stock split in May, 1955, a quarterly dividend of 25 cents per share was paid July 15, 1955 (first following 2-for-1 split) and paid regularly quarterly to Apr. 16, 1956, inclusive. Rate of \$1.60 per share per annum was paid quarterly from July 16, 1956 to July 13, 1962, inclusive. A rate of \$2.00 per share per annum was paid from Oct. 15, 1962, to Jan. 15, 1968, inclusive. A decreased rate of \$1.00 per share per annum was paid from Apr. 15, 1968, to July 15, 1970, inclusive. A dividend of 75 cents per share was paid Mar. 25, 1974. A rate of \$2 per share per annum was paid quarterly from Aug. 9, 1974 to and including Dec. 19, 1975 following which the common shares were reclassified.

Following the reclassification of the common shares as class A common shares in November, 1975, a quarterly dividend of 50 cents per class A share was paid on Mar. 19, 1976 (first following reclassification), and paid regularly quarterly to Sept. 18, 1978, inclusive.

Following the 3-for-1 split in November, 1978, quarterly dividends of 20 cents per class A share were paid on Dec. 18, 1978 and Mar. 19, 1979. Dividends on the class B common shares were paid at the equivalent rate to that of the class A common shares but on a tax-deferred basis to Dec. 18, 1978, inclusive. (See table of Tax-Deferred Dividends, below, for individual payments).

Following the reclassification of the class A and B common shares to series A and B common shares in May, 1979, a dividend of 20 cents per series A share was paid June 18, 1979. Subsequently 25 cents per share was paid quarterly from Sept. 17, 1979 to Sept. 15, 1980, inclusive, and 30 cents per share was paid on Dec. 15, 1980 and Mar. 16, 1981. An annual rate of \$1.60 per share was paid quarterly from June 15, 1981 to Dec. 13, 1982, inclusive. A rate of 80 cents per share per annum was paid from Mar. 14, 1983 to June 18, 1984, inclusive, and a dividend of 30 cents per share was paid on Sept. 17, 1984, following which the common shares were split on a 2-for-1 basis.

Extra dividends have been paid as follows: 50 cents per share on Jan. 17, 1948; 75 cents on Jan. 17 in 1949, 1950, 1951 and 1952; 75 cents on Jan. 23, 1953, Jan. 22, 1954, Jan. 24, 1955, 25 cents on July 15, 1955, Jan. 16, 1956; 15 cents July 16, 1956; 40 cents Jan. 15, 1957-60, Jan. 13, 1961, and Jan. 15, 1962; 20 cents Jan. 15, 1963; 10 cents in Jan., in 1964-67 inclusive; 50 cents Jan. 17, 1975; 5 cents Dec. 18, 1978; 5 cents Sept. 17 and Dec. 17, 1979; 7½ cents Mar. 17, June 16 and Sept. 15, 1980; 2½ cents Dec. 15, 1980; 70 cents Feb. 16, 1981; and 50 cents Dec. 14, 1981.

Preferred Shares, 1978 Series (Old)—Were entitled to dividends at a rate, applied to \$25 a share, equal the lesser of (i) 9% and (ii) one-half of the average Canadian prime rate plus 1¼%, calculated quarterly. Were privately held.

TAX-DEFERRED DIVIDENDS

The following tax-paid dividends have been paid on the class B common shares:

Amount	Record Date	Amount	Record Date
\$0.42½*	Feb. 20/76	\$0.50Δ	Aug. 19/77
0.42½	May 21/76	0.50Δ	Nov. 18/77
0.42½	Aug. 20/76	0.50	Feb. 17/78
0.42½	Nov. 19/76	0.50	May 19/78
0.42½	Feb. 18/77	0.50	Aug. 18/78
0.50Δ	May 20/77	0.15†	Nov. 23/78

ΔAdjusted to include portion of tax-deferred dividend previously declared but withheld pending the Mar. 31, 1977, budget resolution which became law prior to Nov. 1, 1978.

†Following 3-for-1 split in November, 1978. *Initial.

LONG-TERM DEBT

Long-term debt outstanding at Dec. 31, 1985, totaled \$473,024,000 including \$30,994,000 due in one year. Sinking fund requirements and principal payments during the next five years, based on exchange rates at Dec. 31, 1985, were as follows: \$30,994,000 in 1986; \$34,803,000 in 1987; \$97,381,000 in 1988; \$36,955,000 in 1989; and \$42,261,000 in 1990.

Details of debt are as follows:

5.85% Sinking Fund Debentures, Series A: (formerly 5.10% S.F. Debs., Series A)

Due Dec. 1, 1990. Authorized and issued, US\$25,000,000 (Cdn\$26,884,102); outstanding at Dec. 31, 1985, US\$4,797,000 (Cdn\$6,704,000).

6% Sinking Fund Debentures, Series B: (formerly 5% S.F. Debs., Series B)

Due Apr. 15, 1991. Authorized and issued, US\$30,000,000 (Cdn\$32,295,312); outstanding at Dec. 31, 1985, US\$3,965,000 (Cdn\$5,541,000).

8% Sinking Fund Debentures, Series C: (formerly 8% S.F. Debs., Series C)

Dated Nov. 15, 1968; due Nov. 15, 1993. Principal and half-yearly interest (May and Nov. 15) and redemption premium, if any, payable in Canadian funds at any branch in Canada of the company's bankers, at the holder's option.

Authorized and issued, \$15,000,000; outstanding at Dec. 31, 1985, \$5,813,000.

Denominations—Coupon debentures in denominations of \$1,000 and in fully registered form in denominations of \$1,000 and authorized multiples thereof.

Trustee—Montreal Trust Co.

Redemption—For other than sinking fund purposes, redeemable in whole or in part at the option of the company on 30 days' notice at the following percentages of principal amount on or before Nov. 15 in each year:

1969 ..	107.00	1977 ..	103.80	1985 ..	101.80
1970 ..	106.06	1978 ..	103.55	1986 ..	101.55
1971 ..	106.20	1979 ..	103.30	1987 ..	101.30
1972 ..	105.80	1980 ..	103.05	1988 ..	101.05
1973 ..	105.40	1981 ..	102.80	1989 ..	100.80
1974 ..	105.00	1982 ..	102.55	1990 ..	100.55
1975 ..	104.60	1983 ..	102.30	1991 ..	100.30
1976 ..	104.20	1984 ..	102.05		

and thereafter at par; in each case plus accrued interest to date fixed for redemption. Redeemable at par and accrued interest for sinking fund purposes.

Sinking fund—Sufficient to retire the principal amount of \$1,000,000 on Nov. 1 in each of the years 1979 to 1992, inclusive.

The company may purchase debentures in the market or by tender or by private contract at prices not exceeding the current redemption rate plus costs of purchase. Such debentures purchased may be applied at their principal amount in satisfaction of sinking fund payments.

1968 warrants—Accompanied the debentures when initially issued in definitive form. Warrants entitled the holders of each \$1,000 principal amount to purchase 15 common shares at \$20 per share to and including Nov. 15, 1978 when warrants expired.

Security—Direct obligation of the company secured by a floating charge on all undertaking, properties, rights and assets, including uncalled capital (except real and immoveable property and rights) of the company located in Canada, both present and future.

Additional debt—The company will not issue any senior funded obligations (as defined) or permit any restricted subsidiary to issue the same, unless after giving effect to such issuance consolidated net tangible assets are at least 2½ times the principal amount of consolidated senior funded obligations; and the average annual consolidated net earnings for the two preceding fiscal years shall be at least equal to three times the annual interest requirements of all consolidated senior funded obligations and annual rentals in effect. The company will be permitted to issue \$5,000,000 principal of senior obligations during 1969 without meeting the above requirements.

Other provisions—The company may not declare or pay any dividends, nor redeem, or reduce any shares that would reduce consolidated working capital below \$50,000,000 unless the aggregate amount applied subsequent to Dec. 31, 1967, is not more than the total of consolidated net income earned and the net cash proceeds of shares issued subsequent to Dec. 31, 1967, plus \$15,000,000.

Purpose of issue—Net proceeds together with proceeds from sale of certain investments used to reduce current indebtedness owing to banks and under bankers' acceptances.

Offered—In November, 1968, at 99 and accrued interest by a group headed by Nesbitt Thomson Securities Ltd. and Wood Gundy Securities Ltd.

9% Sinking Fund Debentures, Series F:

Dated Oct. 1, 1977; due Oct. 1, 1992.

Principal, premium, if any, and interest (payable annually commencing Oct. 1, 1978) payable in U.S. funds against surrender of the debentures and/or coupons at the offices of any of the paying agents. In the event that the Government of Canada or any province or political subdivision thereof levies taxes, duties or other assessments, the company will pay such additional amounts as will result in the payment to the series F debentureholders or couponholders of the amounts which would otherwise have been payable to them.

Denomination—Available in bearer form in the denomination of US\$1,000 with interest coupons attached.

Authorized and issued, US\$25,000,000; outstanding at Dec. 31, 1985, US\$6,657,000 (Cdn\$9,303,000).

Trustee—Montreal Trust Co.

Redemption—Redeemable at the option of the com-

pany upon not less than 30 days' notice in whole or in part at 105% if redeemed prior to Oct. 1, 1985, and thereafter at the following percentages of principal amount if redeemed in the 12 months starting Oct. 1: 1985 .. 104.00 1987 .. 102.00 1988 .. 101.00 1989 .. 103.00

and thereafter at par; in each case plus accrued interest. The company may not redeem the series F debentures prior to Oct. 1, 1987, as part of a refunding operation having an interest cost of less than 9% per annum. In the event that the company shall be forced to pay additional amounts (as noted above), the company may, on not less than 30 days' notice, redeem all (but not less than all) of the series F debentures at the principal amount plus accrued interest. The company will be entitled to purchase series F debentures in the market or by tender or private contract at any price not exceeding the then current redemption price plus costs of purchase not in excess of 1% of 1% of the principal amount of series F debentures so purchased.

Sinking Fund—Mandatory sinking fund sufficient to retire on Oct. 1 in each of the years 1978 to 1991, US\$1,000,000 principal amount of series F debentures. Series F debentures purchased by the company or redeemed otherwise than for sinking fund purposes shall be available to the company at the principal amount thereof as a credit against any subsequent sinking fund obligations.

Security—Direct obligation of the company, ranking pari passu with all other debentures and secured equally and ratably by a floating charge on the undertaking, properties, rights and assets of the company.

Certain restrictions are placed on the payment of dividends and on the issuance of additional long-term debt.

Purpose of Issue—Net proceeds used to reduce short-term borrowings.

Offered—In September, 1977, in the international market at 99.50 and accrued interest by a group headed by Orion Bank Ltd., Dresdner Bank Aktiengesellschaft, Kreditbank S.A. Luxembourg, Nesbitt, Thomson Ltd., Union Bank of Switzerland (Securities) Ltd. and S. G. Warburg & Co. Ltd.

17½% Sinking Fund Debentures, Series I:

Dated Nov. 15, 1981; due Nov. 15, 1988.

Principal, annual interest (Nov. 15) and redemption premium, if any, are payable in U.S. funds at the main office of the principal paying agent in New York City or at the office of the paying agents abroad at the option of the holder. Interest payments to holders not resident in Canada are not subject to Canadian withholding taxes.

Authorized, issued and outstanding US\$60,000,000 (Cdn\$83,850,000).

Denominations—Issued in bearer form only in denominations of US\$1,000 each.

Trustee—Montreal Trust Co.

Redemption—Not redeemable prior to maturity. However, if as a result of any change in federal or provincial tax laws, the company is required to make any additional payments to the interest payable, the company will then be entitled to purchase all, but not part, of the debentures at par plus accrued interest.

The company is entitled to purchase such debentures in the open market, or by tender or private contract at a price not exceeding the lower of the principal amount or 115% of the mean market quotation of the series I debentures on the London Stock Exchange on the last business day preceding the date of purchase, exclusive of accrued interest and costs of purchase.

Sinking Fund—Sufficient to retire on Nov. 15 in each of the years 1986 and 1987 US\$10,000,000 principal amount. Redeemable for sinking fund purposes at par plus accrued interest.

Security—Direct obligation of the company ranking pari passu with all debentures. Secured equally and ratably by a floating charge on the undertaking, properties, rights and assets of the company in Canada both present and, under certain conditions, in the future too.

Purpose of Issue—Net proceeds applied to reduce short-term borrowings.

Offered—On Oct. 28, 1981, at 98½ plus accrued interest, if any, to yield 17.88% per annum by an international syndicate managed by Orion Royal Bank Ltd. and Dresdner Bank and others including Nesbitt Thomson Ltd.

Revolving Credit—Outstanding at Dec. 31, 1985, US\$100,000,000 (Cdn\$139,750,000) in a revolving credit facility (for US/Cdn\$100,000,000—secured), under which funds can be borrowed by way of direct advances or bankers' acceptances, repaid and re-borrowed during a 2-year period (current revolving period ends Nov. 28, 1987), renewable annually. If not renewed, borrowings may, at the company's option, be repaid or converted to 10-year floating rate term loans. Advances of US\$50,000,000 under the US\$100,000,000 facility have a fixed interest rate of 13.1% per annum to Nov. 1, 1992 as a result of an interest rate swap agreement.

Capital Lease Obligations—Outstanding at Dec. 31, 1985, \$81,316,000, was the present value of total minimum lease payments of \$111,800,000, repayable as follows: \$17,100,000 in 1986; \$17,000,000 in 1987; \$16,700,000 in 1988; \$14,100,000 in 1989; \$13,400,000 in 1990; and \$33,500,000 thereafter.

Other Debt—Also outstanding at Dec. 31, 1985, was \$4,293,000 (SEK23,270,000) 9¼% Swedish export credit to 1987; \$348,000 (£172,000) 8½% Irish export credit to 1987; and \$24,176,000 bank loans and notes payable to be refinanced under revolving credit facilities.

PREVIOUS LONG-TERM DEBT

17¼% Debentures, Series J:

Dated Feb. 20, 1982; due Feb. 20, 1987.

Authorized and issued, \$40,000,000. Outstanding at Dec. 31, 1985, \$40,000,000. All redeemed at par on Feb. 20, 1986.

Trustee—Montreal Trust Co.

Offered—On Feb. 5, 1982, at par, by an international syndicate headed by Orion Royal Bank Limited and Amro International Limited.

SUBSIDIARY DEBT

At Dec. 31, 1985, subsidiary long-term debt totaled \$71,930,000 and consisted of the following: Bathurst Paper Ltd.—\$173,000 (£86,000) in 8½% British export credit to 1986; Consolidated-Bathurst Pontiac Ltd.—\$6,968,000 in 11½% first mortgage sinking fund bonds, series A, due 1995; CB Pak Inc. and subsidiaries—\$10,852,000 in 9½% sinking fund debentures, series A, due 1990; \$20,000,000 in revolving credit (secured); and \$1,949,000 in other debt; Europa Carton AG and subsidiaries—\$31,956,000 (DM55,877,000) in term bank loans at various interest rates, due to 1995. Other subsidiaries—\$32,000 in miscellaneous debt.

Details of publicly-held subsidiary debt as follows:

Consolidated-Bathurst Pontiac Limited

11½% First Mtge. S.F. Bonds, Series A:

Dated Mar. 18, 1975; due Mar. 31, 1995, or, prepayable on Mar. 31, 1985, at the holder's option exercisable after June 30, 1984 and prior to Sept. 30, 1984. Such an election may be revoked by the holder at any time prior to Nov. 15, 1984.

Principal and half-yearly interest (Mar. 31 and Sept. 30) and premium, if any, payable in Canadian funds at any branch in Canada of the company's bankers. The company has the right to increase the interest rate on the series A bonds on and after Mar. 31, 1985, provided that notice of such an increase is given prior to Oct. 15, 1984.

Authorized and issued, \$35,000,000; outstanding at Dec. 31, 1985, \$6,968,000.

Denominations—Coupon bonds registered as to principal only in the denomination of \$1,000, and as fully registered bonds in denominations of \$1,000 and authorized multiples thereof.

Trustee—The Royal Trust Co.

Redemption—Non-redeemable prior to Mar. 31, 1985, for other than sinking fund purposes. Thereafter

redeemable for other than sinking fund purposes in whole or in part at any time on 30 days' notice at the following percentages of principal amount on or before Mar. 31 in each year:

1986 .. 104.90	1989 .. 103.10	1992 .. 101.20
1987 .. 104.30	1990 .. 102.50	1993 .. 100.60
1988 .. 103.70	1991 .. 101.80	

and thereafter at par to maturity, plus accrued interest in each case. The company may not redeem the series A bonds prior to Mar. 31, 1990 as part of a refunding operation having an effective interest cost of less than 11% per annum. The company will have the right to purchase the series A bonds in the market or by tender or by private contract at prices up to Mar. 31, 1985 not exceeding 111% of the principal amount and thereafter at prices not exceeding the current redemption rate, plus accrued interest and costs of purchase in each case.

Sinking Fund—Sufficient to retire \$1,250,000 principal amount on Mar. 31 in each of the years 1977 to 1985, inclusive; \$1,500,000 principal amount on Mar. 31 in each of the years 1986 to 1989, inclusive; \$2,000,000 principal amount on Mar. 31 in each of the years 1990 and 1991, inclusive and \$2,500,000 principal amount on Mar. 31 in each of the years 1992 to 1994, inclusive. If the holders of the series A bonds exercise their early maturity option, each of the preceding payments on and after Mar. 31, 1985 will be reduced (to the nearest \$100,000) in the same proportion as the aggregate principal amount maturing by reason of the early maturity option is to the aggregate principal amount of bonds initially issued. In addition, the company will have the non-cumulative right to make

optional sinking fund payments sufficient to retire a further \$300,000 principal amount on Mar. 31 in each of the years 1979-94, inclusive.

Security—Direct obligation of the company secured by a first, fixed and specific hypothec, mortgage, pledge and charge on all real and immoveable properties and certain other assets (as defined) of the company. Consolidated-Bathurst Limited may at its option, subject to certain conditions, guarantee the payment of the principal, interest and premium, if any, on the series A bonds.

Purpose of Issue—Net proceeds used to the extent of \$31,172,000 for the retirement of demand loans incurred for the acquisition of the Pontiac mill fixed assets and inventories, etc., and the balance added to general funds.

Offered—In March, 1975, at 100 and accrued interest by a group headed by Nesbitt Thomson Securities Ltd. and Wood Gundy Limited.

ACCOUNTING CHANGE

Effective Jan. 1, 1985, the company adopted the new CICA recommendations on investment tax credits. These credits will be accrued as a deferred credit in the balance sheet and amortized to income over a period of approximately 17 years instead of being recorded in income when realized. This new accounting policy had the effect of reducing net earnings in 1985 by \$9,000,000 or 18 cents per share. The cash flow from operations was not affected by this change. On Jan. 1, 1985, the company accrued as deferred credit approximately \$32 million, representing the unrealized investment tax credits at Dec. 31, 1984.

INTERIM EARNINGS

Fiscal Year	3 months			6 months			9 months		
	Sales	Net Inc. Oper.	Earns. Per Com. Sh.*	Sales	Net Inc. Oper.	Earns. Per Com. Sh.*	Sales	Net Inc. Oper.	Earns. Per Com. Sh.*
	\$000's	\$—	\$—	\$000's	\$—	\$—	\$000's	\$—	\$—
1979 ..	279,299	18,726	0.40	582,079	42,718	0.93	903,552	69,191	1.51
1980 ..	339,632	31,449	0.70	701,686	63,606	1.42	1,033,178	91,320	2.03
1981 ..	356,834	26,206	0.57	735,374	53,315	1.16	1,114,460	81,282	1.77
1982 ..	362,562	17,649	0.38	734,500	35,100	0.75	1,074,451	44,553	0.95
1983 ..	341,954	9,058	0.14	707,971	18,125	0.28	1,043,877	25,586	0.39
1984 ..	394,390	16,872	0.32	833,268	36,771	1.40	1,223,169	56,785	1.09
1985 ..	411,637	19,280	0.37	856,749	43,477	0.77	1,294,319	65,861	1.17
1986 ..	969,019	39,603	0.63						

*Adjusted throughout for 2-for-1 split in August, 1984.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Years ended December 31

	1985	1984	1983	1982	1981	1980	1979
	\$000's						
Net sales	1,727,468	1,622,984	1,393,065	1,424,284	1,479,252	1,389,433	1,244,312
Less: Cost of sales	1,373,906	1,313,221	1,147,625	1,143,065	1,145,845	1,043,923	956,219
Admin. & selling exp.	90,835	84,576	86,744	91,631	90,753	86,370	76,211
Add: Income from invests.	9,149	4,120	2,844	3,805	8,099	12,530	9,931
Other income	d9,121	d495	7,803	1,872	1,535	757	d1,254
Net before deprec., etc.	262,755	228,812	169,343	195,265	252,288	272,427	220,559
Less: Depreciation	84,393	72,633	60,060	54,509	44,486	42,651	38,774
Long-term debt int.	55,592	53,124	41,937	48,223	25,497	24,408	23,811
Interest on s.-t. debt	8,103	14,103	10,788	13,159	18,010	5,478	2,542
Provision for exch. chge.							1,670
Inc. tax: Current (net)	18,496	13,931	9,111	3,617	12,937	51,491	45,525
Deferred	22,410	5,041	11,566	31,946	52,085	26,921	11,533
Minority int.	7,372	2,983				136	142
Add: Sh. earns. assoc. cos.	13,368	6,811	7,130	2,361	2,507	1,037	1,697
Net income, operations	79,757	73,808	43,011	53,406	101,780	122,379	98,259
Add: Extraordinary items	d2,193	d14,907	d9,680		10,283		4,589
Net income	77,564	58,901	33,331	53,406	112,063	122,379	102,848
Add: Prev. ret. earns.	339,290	328,632	326,469	318,880	264,711	192,966	120,317
Less: Preferred dividends	10,847	10,656	10,724	3,979	3,071	3,204	3,147
Common dividends	29,695	22,556	17,962	35,799	44,501	43,964	22,254
Prior years' adj.		10,795					
Excess cost purch. com.	1,889	4,236	2,482	4,295	10,322	3,466	4,798
Sh. iss. exp.	2,541			1,744			
Retained earnings	371,882	339,290	328,632	326,469	318,880	264,711	192,966

■ In 1985, \$10,489,000 and \$2,508,000 net write-downs of investments in Sceptre Resources Limited and Sulpetro Limited, respectively, \$4,279,000 company's share of CB Pak's net provision for shutdown of a glass container plant, and \$1,345,000 net write-off of investment in a foreign subsidiary, offset by \$9,292,000 share of CB Pak's gain from public share issue of Diamond-Bathurst Inc. and \$7,136,000 net gain resulting from the company's sale of its investment in Canadian Pacific Limited; in 1984, \$35,665,000 net write-down of investment in Sulpetro Limited offset by \$20,758,000 gains on public issues and secondary offerings of subsidiary and insurance settlement relating to fire at the Bridgewater mill; in 1983, net write-down of company's investment in Sulpetro Limited; in 1981, comprised an \$18,729,000 net gain on sale of investment in Abitibi Price, a \$5,977,000 net loss on the write-off of an investment and \$2,469,000 loss provision for shutdowns; in 1979, income tax recovery on application of prior years' losses.

□ Credit. ▲ See "Accounting Change," page 15.

Times All Interest Earned

Before depreciation	4.13	3.40	3.21	3.18	5.80	9.12	8.37
After depreciation	2.80	2.32	2.07	2.29	4.78	7.69	6.90

Earnings per Share:

Based on net income, operations							
Pref.: Times earned	t7.35	t6.93	t4.01	t13.42	t33.14	t38.20	t31.22
Common	\$1.40	\$1.40	\$0.72	\$1.10	\$2.21	\$2.71	\$2.14
Based on net income							
Pref.: Times earned	t7.15	t5.53	t3.11	t13.42	t36.49	t38.20	t32.68
Common	\$1.36	\$1.07	\$0.51	\$1.10	\$2.44	\$2.71	\$2.24

□ Based on the average number of shares outstanding during the year; includes common shares issuable as stock dividends from the dividend declaration dates.

● Adjusted throughout to reflect 3-for-1 split in November, 1978; and 2-for-1 split in August, 1984.

Dividend Record:

1966 Ser. Pref.	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
1978 Ser. Pref.			0.47	2.22	2.25	2.16	2.03
2nd Pref., Ser. A	5.75	5.75	▲6.6952				
2nd Pref., Ser. B	5.25	5.25	▲6.113				
Series A common	0.60	0.15					
Series B common	stk.	stk.					
Series A common		0.70	0.80	1.60	1.50+	1.05+	0.70+
					1.20	0.25	0.10
Series B common		stk.	stk.	stk.	stk.	stk.	stk.
Series A common							0.20
Class B common							0.20

● As reported by company. † Following 3-for-1 split in November, 1978.

■ Classified as class A and B common shares prior to May 2, 1979. ▲ Includes initial.

\$ Payable in U.S. funds. ‡ Following 2-for-1 split, Aug. 21, 1984.

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31

	1985	1984	1983	1982	1981	1980	1979
	\$000's						
Assets							
Current:							
Cash & s.t. deposits	10,282	379	10,289	6,141	4,073	10,671	26,239
Marketable secs., cost*					15,515	13,947	17,596
Accts. & grants rec.	254,933	229,347	207,034	215,885	223,540	187,409	175,012
Deferred inc. taxes							2,040
Inc. taxes recoverable			5,205	8,715			
Inventories:							
Expend. on wood oper.	43,717	46,867	48,458	47,763	60,559	51,499	
Pulpwood, chips, etc.	41,120	45,724	44,296	51,463	52,645	43,562	42,496
Other raw mat'l & suppl.	117,682	114,687	93,675	84,064	92,539	78,635	76,462
Work in process, etc.	136,387	124,031	119,323	126,308	119,332	101,141	83,656
Prepaid expenses	4,929	4,595	5,679	5,593	6,669	5,427	6,469
	609,050	565,630	533,959	545,932	574,872	492,291	476,390
Adv. re stk. purch. plans	6,238	6,829	1,639	2,153	2,629	3,066	2,872
Deferred translation loss	28,979	5,630					
Pre-operating exps.			17,473	5,231	3,099	2,456	2,173
Deferred charges	1,036	807	1,472	1,535			
Unamort. l.t. debt expense	1,217	1,955	2,908	4,081	3,782	1,250	1,529
Investments:							
Portfolio:							
Oil & gas	46,387	63,716	121,086	132,596	113,855	39,943	2,922
Abitibi Price						33,758	31,400
Cdn. Pacific Ltd.		13,947	13,947	13,947			
Other	10,275	11,141	22,612	23,308	24,538	25,673	27,389
Equity investments	122,723	84,861	44,352	15,367	13,872	14,733	12,094
Fixed:							
Mills, plants, etc.	1,725,656	1,510,266	1,433,804	1,359,209	1,170,213	968,517	851,947
Less: Accum. deprec.	688,825	588,869	522,936	515,112	474,176	445,129	416,862
	1,036,831	921,397	910,868	844,097	696,037	523,388	435,085
	1,862,736	1,675,913	1,670,316	1,588,247	1,432,684	1,136,558	991,854
Liabilities							
Current:							
Bank loans & notes pay.	26,550	48,739	19,617	62,123	125,738	68,545	685
Accts. pay. & accr. chgs.	207,246	170,577	148,150	137,336	146,861	126,844	118,965
Taxes payable	22,063	24,478	30,383	26,660	9,633	21,723	56,707
Dividends pay.	2,567	2,509	2,451	2,001	921	7,043	1,004
L.t. debt due 1 yr.	30,994	62,052	20,225	10,600	7,597	7,390	9,396
	289,420	308,355	220,826	238,720	290,750	231,545	186,757
Deferred income taxes	192,593	215,211	222,908	218,234	193,629	145,640	118,765
Prov. for exch. chgs., etc.			23,712	29,343	30,037	32,378	32,378
Prov. for German pensions	39,545	26,430	27,424	23,398	23,305	19,877	15,319
Def. inv. tax credits	39,895						
Long-term debt:							
5.85% s.f. debs. ser. A	6,704	7,771	7,489	8,654	9,819	10,985	12,150
6% s.f. debs. ser. B	5,541	6,681	6,617	7,792	8,966	10,141	11,315
8% s.f. debs. ser. C	5,813	7,886	9,046	9,149	9,149	10,368	11,790
9% s.f. debs. ser. F	9,303	22,307	18,327	19,299	20,006	20,458	23,636
17 1/2 s.f. debs., ser. I	83,850	79,284	71,129	71,129	71,129		
17 1/4% debs., ser. J	40,000	40,000	40,000	40,000			
Bank loans & other	144,391	137,713	138,829	141,642	50,000	50,000	50,000
Cap. lease obligs	81,316	66,689	78,093	36,995	15,849		
Subsidiary debt	96,106	170,401	198,925	114,233	169,373	121,340	130,431
Less: Amounts due 1 yr.	30,994	62,052	22,479	11,030	7,826	6,516	7,372
	442,030	476,680	545,976	437,863	346,465	216,776	231,950
Minority interest	39,776	32,903	3,168	2,824	2,877	2,524	2,784
Shareholders' Equity							
Capital stock:							
Preferred	152,447	103,430	104,399	121,375	41,415	44,393	45,360
Common	300,139	198,658	193,271	190,021	185,326	178,714	165,575
Retained earnings	371,882	339,290	328,632	326,469	318,880	264,711	192,966
Less: Translation adj.	4,991	25,044					
	1,862,736	1,675,913	1,670,316	1,588,247	1,432,684	1,136,558	991,854
*Market value					18,966	18,290	20,821
□ Market value, approx.	44,216	49,317	70,467	67,166	99,891	51,393	3,501
▲Market value						44,637	33,509
●Market value		21,023	21,128	15,084			

■ Expenditures on wood operations are stated at average cost; pulpwood, chips, sawlogs and wood residue at mills, and other raw materials and supplies are also stated at average cost; work in process and finished goods are stated at the lower of average cost and net realizable value. Provision is made for slow-moving and obsolete inventories.

▶ At historical exchange rate.

Commitments—At Dec. 31, 1985, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$44,100,000.

Lease Commitments—At Dec. 31, 1985, the company was committed to future minimum payments under operating leases as follows: \$12,300,000 in 1986; \$11,100,000 in 1987; \$7,600,000 in 1988; \$4,800,000 in 1989; \$3,100,000 in 1990; and \$4,000,000 thereafter.

Pension Plan Liability—Based on recent actuarial valuations, the pension plans of the company and its Canadian subsidiaries are fully funded.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Years Ended December 31

	1985	1984	□ 1983
	-\$000's		
Source of Funds			
Operating earnings	201,884	174,721	109,639
Depreciation	84,393	72,633	60,060
Increase accts. payable	36,669	10,269	10,814
Grants on additions to f.a.	5,891	7,570	20,887
Issue preferred shs.	48,535		
Issue common shs.	97,800		
Proceeds subsid. sh. issue, etc.		50,237	
Increase long-term debt	17,188	23,982	109,938
Sale Cdn. Pacific inv.	23,462		
Disposal of invests.	1,985	2,287	3,077
Other	7,129	3,131	▲6,657
	524,936	344,830	307,758
Application of Funds			
Interest	63,695	67,227	52,725
Current income taxes	18,496	13,931	9,111
Increase accts. receiv.	26,346	21,178	▲4,205
Increase inventories	7,597	25,485	▲3,846
Additions to fixed assets	175,737	118,884	175,309
Increase invests.	17,691	27,149	3,929
Decrease long-term debt	120,723	57,421	14,973
Shares purchased	3,540	6,488	20,569
Dividends	39,268	31,926	24,491
Other	19,751	14,173	2,221
	492,844	383,862	295,277
Increase in funds\$	32,092	■ 39,032	12,481
□ As shown in 1984 Annual Report. ▲ Subtract. ■ Decrease.			
\$Funds defined as cash, short-term deposits and short-term borrowings.			

SHARES OUTSTANDING AT DECEMBER 31

	1985	1984	1983	1982	1981	1980	1979
	-\$000's						
Pref., 1966 ser.	780,626	819,941	858,741	897,741	936,608	975,708	1,014,408
Pref., 1978 ser.				640,000	720,000	800,000	800,000
2nd Pref., ser. A	800,000	800,000	800,000	800,000			
2nd Pref., ser. B	700,000	700,000	700,000	700,000			
2nd Pref., ser. C	2,000,000						
Common, series A●	49,263,690	\$42,637,503	17,255,024	16,923,564	17,328,515	8,685,310	17,660,746
Common, series B▼	1,736,117	\$2,417,276	5,224,175	5,515,659	5,096,542	13,796,333	4,390,616

\$Following the 2-for-1 stock split, Aug. 31, 1984.

●Class A common shares prior to May 2, 1979.

▼Class B common shares prior to May 2, 1979.

Working Capital (\$000's)

Current assets	609,050	565,630	533,959	545,932	574,872	492,291	476,390
Current liabilities	289,420	308,355	220,826	238,720	290,750	231,545	186,757
Working capital	319,630	257,275	313,133	307,212	284,122	260,746	289,633
Ratio	2.10—1	1.83—1	2.42—1	2.29—1	1.98—1	2.13—1	2.55—1

Equities:

Net worth* (\$000's)	819,477	616,334	626,302	637,865	549,072	492,161	407,126
Debs., per \$1,000	\$6,419	\$4,760	\$5,104	\$5,088	\$5,611	\$10,473	\$7,913
Preferred	1,049.77	751.68	729.33	414.81	331.44	277.16	224.39
Second pref., per \$1	6.02	7.18	7.29	7.23			
Common●	13.08	11.38	11.61	11.51	11.32	9.96	8.21

*Available for the capital stock. Based on shareholders' equity with adjustment for the difference between cost and market value of short-term marketable securities. Debentures taken in at par for calculation of their equity. Preferred stock and second preferred stock deducted at stated value before calculating equity per common share.

●Adjusted throughout for 2-for-1 split in August, 1984.

HISTORICAL SUMMARY (As originally stated in company's annual reports for the respective years)

Fiscal Year	Total Assets	Working Capital	L.-term Debt	Shldrs.' Equity	Net Sales	Net Inc. Oper.	Earns. Per Com. Sh.	Class A Com. Price Range
								High Low
				\$000's			\$	\$ \$
1933●	84,189	d6,964	51,792	1,437				6.63 1.50
1934 ..	82,934	d7,313	52,619	1,415				3.50 1.00
1935 ..	83,327	d6,605	52,446	1,415				2.25 0.70
1936 ..	69,571	d3,489	52,271	1,415				11.00 2.00
1936*	67,925	d725	52,096	2,420				11.00 2.00
1937 ..	66,754	2,309	51,920	2,420				24.50 5.88
1938 ..	64,702	4,771	51,743	2,420				9.38 3.50
1939 ..	60,153	7,479	51,566	2,420				9.13 2.63
1940 ..	63,447	12,012	51,407	5,948		875	0.34	8.50 3.00
1941 ..	63,557	14,056	49,262	7,750		880	0.34	4.50 2.50
1942 ..	61,812	18,605	47,418	8,627		396	0.15	3.80 1.50
1943 ..	63,137	22,404	45,644	10,486		1,294	0.51	6.50 2.75
1944 ..	63,782	25,812	43,803	12,165		1,108	0.43	9.50 5.13
1945 ..	61,055	27,112	42,220	10,525		1,789	0.70	17.00 8.00
1946 ..	75,425	24,705	35,000	11,271		4,859	1.90	23.25 15.50
1947 ..	86,934	27,736	35,000	17,157		9,712	3.79	21.63 14.50
1948 ..	91,892	32,902	31,547	24,738		11,738	4.58	21.75 14.75
1949 ..	92,776	37,425	27,552	31,030		11,000	4.29	20.63 13.50
1950 ..	99,133	40,716	23,748	37,327		12,134	4.73	34.00 17.88
1951 ..	105,510	43,243	19,601	44,423		12,906	5.03	43.50 32.25
1952 ..	105,586	45,982	15,192	48,956		10,338	4.03	38.25 31.13
1953 ..	103,758	50,348	11,391	54,180		10,982	4.28	42.75 34.13
1954 ..	106,399	52,105	5,592	60,861	100,083	11,848	4.62	63.50 40.50
1955 ..	105,930	54,514	.....	65,980	98,721	13,747	▶2.68	▶41.00 ▶30.50
1956 ..	114,974	56,357	.....	73,504	111,139	15,281	2.98	47.50 33.50
1957 ..	112,751	55,325	.....	76,127	106,456	12,687	2.47	39.50 24.50
1958 ..	114,995	60,626	.....	78,542	95,846	12,575	2.45	43.00 28.00
1959 ..	121,160	61,672	.....	81,468	100,082	13,087	2.55	45.00 36.00
1960 ..	159,835	66,601	.....	117,159	119,600	16,100	2.72	44.50 36.50
1961 ..	159,768	70,835	.....	120,616	119,009	15,292	2.58	49.00 41.00
1962 ..	169,851	78,610	.....	125,328	116,270	16,548	2.80	44.13 35.00
1963 ..	178,461	74,328	.....	128,887	117,197	15,986	2.70	41.50 36.38
1964 ..	192,703	69,897	.....	132,914	125,760	16,455	2.78	45.00 38.50
1965 ..	216,711	48,472	.....	155,277	131,022	16,868	2.85	49.75 38.00
1966 ..	314,227	83,161	59,179	193,233	165,945	17,758	3.00	41.88 32.75
1967\$	483,023	47,200	120,745	209,420	242,198	17,328	2.40	44.25 20.50
1968 ..	476,858	109,077	165,741	211,071	295,472	11,176	1.36	23.75 13.75
1969 ..	498,334	110,216	175,786	215,543	348,087	10,554	1.40	28.00 20.13
1970 ..	490,953	88,399	178,452	200,490	353,944	589	d0.42	25.50 8.63
1971 ..	456,992	82,519	168,024	151,097	343,362	443	d0.45	12.50 5.25
1972 ..	430,404	77,303	150,997	155,485	348,055	7,627	0.74	17.75 7.75
1973 ..	534,987	81,066	162,912	170,249	497,683	19,870	2.74	33.38 16.50
1974 ..	636,632	133,045	148,978	245,647	689,009	47,712	7.10	29.50 21.75
1975 ..	662,369	159,084	169,433	259,082	643,719	32,599	4.26	28.25 22.00
1976 ..	742,667	157,860	186,247	261,281	745,193	18,240	2.28	38.38 25.25
1977 ..	808,791	209,233	254,680	266,889	868,865	21,355	2.71	29.50 19.50
1978 ..	872,944	263,141	237,991	332,444	1,078,843	59,147	▶2.60	▶14.38 ▶7.00
1979 ..	991,854	289,633	241,346	403,901	1,244,312	98,259	4.27	15.13 11.50
1980 ..	1,136,558	260,746	224,166	487,818	1,389,433	122,379	5.42	25.50 13.50
1981 ..	1,432,684	284,122	354,062	545,621	1,479,252	101,780	4.41	29.88 16.50
1982 ..	1,588,247	307,212	448,463	637,865	1,424,284	53,406	2.20	18.75 13.63
1983 ..	1,670,316	313,133	566,201	626,302	1,393,065	43,011	1.44	26.75 16.13
1984 ..	1,675,913	257,275	538,732	616,334	1,622,984	73,808	▶1.40	▶16.75 ▶12.63
1985 ..	1,862,736	319,630	473,024	819,477	1,727,468	79,757	1.40	19.13 15.00

●Period of 15 months ended Mar. 31, 1933.

\$Consolidates accounts of Bathurst Paper Ltd. for first time.

*Nine-month period due to change in year-end from Mar. 31 to Dec. 31.

▶Following 2-for-1 splits in May, 1955 and August, 1984 and 3-for-1 split in November, 1978.

PRODUCTION STATISTICS

Year	Newsprint Paper	Kraft Paper	Card-board	Kraft Pulp▲	Sulphite Pulp▲	Other Products	Total	Value \$000
1929	460,286	32,790	10,736	37,414	28,353	.....	569,579	
1930	312,440	26,089	8,267	20,896	11,358	.....	379,050	
1931	236,127	24,687	8,211	7,732	.....	.....	276,757	
1932	167,139	21,875	5,589	12,521	.....	.....	207,124	9,673
1933	178,463	18,956	8,516	18,196	.....	.....	224,131	9,042
1934	293,946	20,842	10,334	20,284	.....	.....	345,406	12,367
1935	345,163	20,258	10,728	27,903	.....	173	404,225	14,124
1936	406,617	23,196	11,782	29,427	.....	5,757	476,779	17,256
1937	457,969	25,927	12,275	30,532	.....	5,906	532,609	20,484
1938	308,441	23,228	9,155	19,863	.....	4,608	365,295	16,314
1939	341,691	27,979	10,699	18,384	.....	4,153	402,906	18,798
1940	424,709	36,029	12,532	31,471	10,071	6,025	520,837	27,078
1941	435,840	40,449	13,165	29,452	33,689	22,159	574,754	29,794
1942	376,404	43,192	12,936	27,863	54,499	9,920	524,814	27,700
1943	352,162	44,054	13,798	27,873	57,766	2,822	498,475	28,697
1944	395,190	45,993	13,406	23,087	63,037	5,218	545,931	33,727
1945	432,158	46,755	13,682	22,514	63,023	4,257	582,389	36,772
1946	561,299	47,643	13,880	21,780	49,700	4,246	698,548	50,691
1947	666,063	48,214	14,743	21,729	51,180	4,064	785,993	68,545
1948	644,351	48,467	15,512	18,519	44,313	22,924	814,086	76,663
1949	669,358	46,994	15,229	19,475	25,596	3,572	780,224	74,382
1950	673,516	47,528	15,601	23,940	15,888	331	776,804	77,106
1951	706,595	61,503	16,798	10,131	28,325	5,238	828,590	92,682
1952	731,673	55,391	15,501	7,495	19,145	472	829,677	95,957
1953	728,222	61,683	14,984	2,684	1,731	2,599	811,903	96,404
1954	751,205	60,551	15,377	4,143	.....	2,572	833,848	100,083
1955	740,984	55,825	14,240	6,734	.....	5,167	822,950	98,721
1956	830,866	51,418	14,339	9,632	.....	418	906,673	111,139
1957	786,436	46,204	13,055	9,601	.....	1,043	856,339	106,456
1958	683,943	56,200	12,314	5,774	49	597	758,877	95,846
1959	707,819	60,249	11,769	5,310	.....	1,764	786,911	100,082
1960	738,066	57,921	12,620	5,353	.....	1,489	815,449	119,600
1961	736,232	59,036	11,915	5,450	.....	1,391	814,024	119,000
1962	721,780	59,947	12,797	4,261	.....	2,368	801,153	116,270
1963	718,331	58,038	14,085	1,743	.....	3,108	795,305	117,197
1964	745,975	58,726	18,120	131	.....	8,247	831,199	125,760
1965	783,772	68,388	17,220	.....	.....	9,045	878,425	131,022
1966	853,430	75,371	19,988	.....	.....	49,111	997,900	165,945

▲Unbleached.

†Income from all sources.

Mill Products Shipped					Packaging Products Shipped				
Newsprint	Pulp	Paper Board	Kraft Paper	Lumber	Bags	Containers	Folding Cartons	Glass	
Tons				M bd. ft.	Tons	MM sq. ft.	Tons	Tons	
1967 ..	795,000	1,000	330,000	77,000	69,792	unstated	1,959	.....	.....
1968 ..	777,000	100,000	450,000	79,000	81,359	31,349	3,770	18,655	.....
1969 ..	842,000	177,000	480,000	80,000	67,581	30,114	4,090	18,870	.....
1970 ..	866,000	170,000	486,000	75,000	69,160	27,831	4,191	15,347	.....
1971 ..	792,000	200,000	411,000	80,000	72,664	24,698	4,309	16,333	.....
1972 ..	912,000	227,000	461,000	79,000	79,269	26,038	4,776	14,613	.....
1973 ..	965,000	233,000	485,000	79,000	74,538	28,188	5,073	19,282	366,899

— Pulp & Paper Products Shipped —

Newsprint & Groundwood Special.					Packaging Products Shipped				
Newsprint & Groundwood Special.	Pulp	Con-tainer-board	Kraft Paper & box-board	Lumber	Containers	Folding Cartons	Bags	Glass	Paper Board
Tons				M bd. ft.	MM sq. ft.	Tons			
1974*	1,006,000	235,000	317,000	108,000	67,673	4,691	17,065	33,258	544,172
1975*	842,000	147,000	208,000	59,000	71,157	4,733	19,000	21,438	528,284
1976*	917,000	164,000	227,000	68,000	95,692	5,281	21,050	24,333	500,283
1977*	865,000	205,000	273,000	80,000	91,464	5,627	28,010	23,550	504,976
1978 ..	1,028,000	242,000	307,000	91,000	128,159	5,973	44,180	27,142	563,426
1979 ..	1,049,000	253,000	331,000	97,000	131,192	6,501	47,150	28,621	516,541
Tonnes				M bd. ft.	MM m ²	Tonnes			
1979 ..	952,060	230,000	301,000	88,000	131,192	604	42,774	25,964	468,603
1980 ..	913,000	231,000	302,000	81,000	92,081	606	44,670	21,380	512,522
1981 ..	959,000	222,000	289,000	78,000	93,502	621	40,920	19,800	513,042
1982 ..	825,000	178,000	269,000	55,000	67,915	673	46,430	16,435	495,733
1983 ..	840,000	200,000	252,000	56,000	93,144	484	47,030	15,876	511,790

Newsprint & Groundwood Special.					Packaging Products Shipped				
Newsprint & Groundwood Special.	Kraft Pulp	Paper-board	Lumber	Containers	Folding Cartons	Bags	Glass	Paper Board	
Tonnes				M bd. ft.	MM m ²	Tonnes			
1984 ..	1,021,000	179,000	340,000	101,371	361	50,620	.....	.....	90,290
1985 ..	1,026,000	168,000	287,000	112,216	375	57,700	93,990	.....	.....

*As stated in the company's 1978 annual report.

Bathurst Paper Limited

Head Office—891 Main St., Bathurst, N.B. E2A 4A3

Telephone — (506) 546-3361

Executive Office — 800 Dorchester Blvd. W., P.O. Box 69, Montreal, Que. H3B 1Y9

Telephone — (514) 875-2160

CUSIP Number 071203

Stock Symbol BAT

CONSOLIDATED CAPITALIZATION AS AT DECEMBER 31, 1984

	Outstanding	%
Long-term debt	\$32,129,000	14
Preferred stock	198,413 shs. 3,968,000	2
Common stock	3,492,381 shs. 85,338,000	37
Retained earnings & contributed surplus	104,037,000	45
Add: Currency transl. adj.	3,281,000	2

COMPANY

Manufactures and sells linerboard, corrugated containers, industrial and consumer packaging material and glass and plastic containers.

Operations are integrated with those of the parent company and are carried out either by divisions or through subsidiaries or affiliated companies in the Consolidated-Bathurst group. For details see "Operations," page 2.

The French language expression of the company's name is **Les Papeteries Bathurst Limitée**.

SALES

Sales by geographic segment for the past two years have been as follows:

	1985	%	1984*	%
	\$000's		\$000's	
Canada	334,800	100	296,100	100
Western Europe	334,800	100	296,100	100

EARNINGS

Net income by geographic segment has been as follows for the past two years:

	1985	%	1984*	%
	\$000's		\$000's	
Canada	23,400	80	24,100	80
Western Europe	5,800	20	6,200	20
	29,200	100	30,300	100

HISTORY

Incorporated Feb. 3, 1928, (continued under the Canada Business Corporations Act through Certificate of Continuance issued Sept. 25, 1980) under Dominion charter under the name of Bathurst Power and Paper Company Limited, to take over the assets and undertakings of Bathurst Co., Ltd., which company, or its predecessor, had been in operation since 1907.

Formerly a producer of newsprint, the company converted one of its newsprint machines to the manufacture of kraft linerboards in 1931. After a lapse of some five years, part-time production of newsprint was resumed in 1937, but was finally discontinued in January, 1944, on instructions of the Wartime Prices and Trade Board.

Through the acquisition of Shipping Containers Ltd. in 1945 and Kraft Containers Ltd. in 1946, the company commenced operations in the corrugated shipping container field through the two converting plants operated by these two subsidiaries, respectively, at Beaubien St., Montreal, and in Hamilton, Ont.

In November, 1950, a third container plant was added through the erection by Shipping Containers Ltd. of a new container plant in St. Laurent, Que.

At the end of 1950, the company brought into production a semichemical pulp mill at Bathurst, to use hardwood as a raw material, for the manufacture of a new type of corrugating medium.

Through the acquisition of Canadian Wirebound Boxes, Ltd. in 1954, the company enlarged its converting capability by the addition of two container plants

located in Toronto and Montreal, both of which also produce wirebound wooden boxes and crates.

In 1955, an enlargement of the St. Laurent plant was completed, whereupon container operations carried on at the Beaubien St. plant, Montreal, were discontinued and transferred to the St. Laurent plant. Thereafter the Beaubien St. plant was sold.

In April, 1956, the company brought a new container plant into production at Whitby, Ont.

In May, 1957, a wholly owned subsidiary company named Bathurst Paper (Britain) Limited, was incorporated in England to replace Herbert Cox Limited as a representative in the United Kingdom.

In December, 1957, the company formed a wholly owned sales subsidiary, Bathurst Paper Sales Limited, in order to simplify the marketing of paperboards. In January, 1968, the subsidiary's name was changed to Consolidated-Bathurst Paper Sales Limited.

Also in December, 1957, the name of the wholly owned subsidiary, Canadian Wirebound Boxes Limited, was changed to Bathurst Containers Limited. As of Jan. 1, 1958, all container operations were consolidated under this one corporate entity.

In 1958, a sixth plant was added to the facilities of Bathurst Containers Ltd., through the purchase of the assets of Norwood Box Co. Ltd., St. Boniface, Man. Also, the company acquired a minority interest in Maritime Paper Products Limited, Halifax, N.S.

In 1960, a seventh container plant was acquired through the purchase of Wilson Boxes, Ltd., Lancaster, N.B.

In 1961, the company entered the plastic packaging field. It formed Xanfoam of Canada Ltd. jointly with Sun Chemical Corp. of New York, U.S.A. The company was wound up in 1966.

Early in 1962, Bathurst Paper (Britain) Ltd. was renamed Abitibi Bathurst (U.K.) Ltd. and became jointly owned with Abitibi Power & Paper Co. Ltd. The company was wound up in 1966.

In January, 1963, the plant at Napadogan, N.B., was acquired to manufacture hardwood box grade veneer.

On Sept. 9, 1963, Bathurst Power and Paper Co. Ltd. and its four container subsidiaries, as they existed at Dec. 31, 1954, were accused of being involved in committing an indictable offense from 1947 to 1954 against combines legislation. Subsequently on Dec. 16, 1966, the company and its subsidiaries were penalized by fines aggregating \$109,000 and were subjected to an Order of Prohibition in general terms.

By S.L.P. dated Mar. 31, 1965, the name of the company was changed from Bathurst Power and Paper Company Limited to Bathurst Paper Limited—Les Papeteries Bathurst Limitée.

During 1965, the company acquired a majority interest in Twinpak Limited, supplier of plastic packaging materials at Lachine, and Granby, Que. In May, the company formed a wholly owned subsidiary, Bathurst Paper (Chaleurs) Limited—La Papeterie Bathurst (Chaleurs) Limitée, to operate the new mill at New Richmond, Que. Also in 1965, the company in equal partnership with Bowaters Canadian Corporation Ltd.

acquired control of Bulkley Valley Pulp & Timber Limited of British Columbia.

Early in 1966, the company brought into production a 150,000 sq. ft. corrugated shipping container plant at St. Thomas, Ont., having a designed capacity for 30 million sq. ft. of conversion per month. During 1966, the company, Bowaters, and Bulkley Valley jointly purchased a substantial minority interest in Cooper-Widman Limited of Vancouver and also jointly purchased Buck River Lumber Co. Ltd. of Houston, B.C.

Merger with Consolidated-Bathurst Limited—For terms see page 7.

In 1968, Bulkley Valley Pulp & Timber Limited and related companies were amalgamated to form Bulkley Valley Forest Industries Limited.

In 1970, the company acquired the outstanding minority interest in Twinpak Ltd.

In late 1971, the company and its parent company, Consolidated-Bathurst Limited, decided to reorganize the two companies' operations and to group converting and packaging operations under the company and to concentrate primary products operations under Consolidated-Bathurst. As a result, the company agreed on Dec. 31, 1971, to purchase from Consolidated-Bathurst all of the land, buildings, plant and other assets of the business of manufacturing and selling multiwall paper bags, industrial plastic sacks and other paper and plastic products carried out by the parent in its four bag division plants for a net price of \$9,197,000 (net book value of assets less associated current liabilities) and to sell to Consolidated-Bathurst all of the industrial land, buildings, plant and other assets of the business of manufacturing and selling corrugating medium and sulphate pulp carried out by the company in its Bathurst, N.B., mill for a net price of \$13,900,000.

On Dec. 31, 1971, the company also wrote off its investment in Bulkley Valley Forest Industries Ltd. in the amount of \$18,837,001 and transferred its title therein to its parent company, Consolidated-Bathurst Limited, in consideration for investment by the company in subordinated debentures of Bulkley in an amount up to \$10,250,000. Following disposal of Bulkley by the parent company on Feb. 1, 1972, the company was indemnified against all remaining obligations associated with the Bulkley project.

On Dec. 27, 1973, the company sold a 50% interest in Twinpak Ltd. to Dominion Glass Company Limited.

During 1976, the subsidiary Consolidated-Bathurst (Overseas) Limited was sold to Consolidated-Bathurst Limited with a resultant charge to earnings of \$13,000. Also in 1976, the company sold the remaining 50% interest in Twinpak Ltd. to Domglas Ltd. (now Domglas Inc.).

On Dec. 15, 1978, the company acquired all outstanding shares of St. Maurice Holdings Limited and its wholly owned subsidiary, Europa Carton AG, and 49% of the outstanding shares of Domglas Inc. upon the assumption of a DM80,000,000 term loan of the parent company.

During 1981, the company's 35%-owned affiliate, Maritime Paper Products Limited, changed its name to Maritime Containers Ltd.

Effective Jan. 1, 1984, the company and its parent acquired CB Pak Inc. which company was restructured to acquire the packaging assets and investments of 49%-owned Domglas Inc. (for further details, see "History" on page 5). During 1984, the company's interest in CB Pak Inc. was reduced to 44%.

Effective Mar. 1, 1985, Europa Carton AG, a wholly-owned subsidiary, acquired all of the shares of Europa Carton B.V. (formerly Menno Goemans B.V.), Sneek, The Netherlands, for \$9,065,000. The company is engaged in the manufacture of folding carton products.

OFFICERS AND DIRECTORS

Officers—W. I. M. Turner, Jr., chm. & CEO; T. O. Stangeland, pres. & COO; Guy Dufresne, sr. group v-p, North Amer. pulp & paper; T. J. Wagg, v-p, fin.; C. G. Fraser, treas.; J. M. Dawson, sec.; E. C. Robichaud, asst. sec.

Directors—W. I. M. Turner, Jr., T. O. Stangeland, J. W. Burns, Paul Desmarais, A. F. Knowles, Montreal; The Rt. Hon. The Viscount Rothermere, London, Eng.

MAJOR SUBSIDIARIES

Consolidated-Bathurst Paper Sales Limited—Sells kraft linerboards, corrugating medium, kraft papers and boxboards in Canada, the United States and overseas.

St. Maurice Holdings Limited—Owns all outstanding shares of Europa Carton AG, which company operates eight corrugated container plants, five folding carton plants, a containerboard mill, a boxboard mill, a partition plant, and waste paper operations at several locations in the Federal Republic of Germany, and has wholly-owned subsidiary Europa Carton B.V., of Sneek, The Netherlands, which manufactures folding carton products. For further details of operations, see page 2.

JOINT VENTURE

MacMillan Bathurst Inc.—Owned 50% by the company; 50% by MacMillan Bloedel Limited. For details of operations, see page 5.

OTHER INTERESTS

Maritime Containers Ltd.—Bathurst Paper Limited has a 35% interest in this company.

CB Pak Inc.—(44% owned by company; 35.8% owned by parent company.) Through wholly owned Domglas Inc., manufactures glass and plastic products; and through wholly-owned Twinpak Inc., manufactures plastic and flexible packaging products and packaging machinery systems. See also separate Basic Card on CB Pak Inc.

CAPITAL STOCK

(At Dec. 31, 1985)

	Author.	Outstand.
Preferred	498,413 shs.	
\$1.05, 1963 ser.		198,413 shs.
Common	Unlimited	3,492,381 shs.

►Consolidated-Bathurst Inc. owns 88.5% and Consolidated-Bathurst (Chile) Limited owns 11.5% of the outstanding common shares.

Listed—BAT (pref. only) Toronto Stock Exchange; Montreal Stock Exchange.

Transfer Agent & Registrar—The Montreal Trust Company, Saint John, Halifax, Montreal, Toronto, Winnipeg, Calgary and Vancouver.

\$1.05 Preferred Shares, 1963 Series—Entitled to fixed cumulative preferential dividends of \$1.05 per share per annum.

Redemption—Redeemable in whole or in part at the company's option on 30 days' notice at \$21.05 per share plus accrued and unpaid dividends. The company will have the right to purchase preferred shares, 1963 series, for cancellation in the market or by tender at not exceeding redemption price plus costs of purchase.

In the event of involuntary liquidation, dissolution or winding-up, entitled to \$20 per share; or if voluntary, to \$21.05 per share; in each case plus accrued dividends.

If, upon voluntary liquidation, the property and assets of the company are insufficient to permit payment in full to preferred shareholders, then the entire property and assets shall be distributed ratably among preferred shareholders.

Voting—Nonvoting, unless eight quarterly dividends in arrears, when entitled to one vote per share and as a class to elect three members to the board (if board consists of 12 members) or four members (if board consists of more than 12 members).

Additional Issue—No additional preferred shares shall be issued without prior approval of the holders of each series of preferred shares outstanding, unless the consolidated net earnings of the company for any 12 consecutive months out of a period of 18 months immediately preceding issue date have been at least equal to three times the annual dividend requirements on all preferred shares to be outstanding one week after such issuance.

Other Provisions—The company shall not create any shares ranking in priority to or pari passu with the preferred shares, increase the authorized number of preferred shares, voluntarily liquidate or dissolve the

company or repeal or alter or modify the provisions attaching to the preferred shares, except with the prior approval of the holders of each series of preferred shares then outstanding.

Offered—300,000 shares, 1963 series, in January, 1964, at \$20 per share, by Nesbitt, Thomson and Co., Ltd.

Common—One vote per share.

PRICE RANGE OF STOCK \$1.05 Preferred, 1963 Series

Year	High	Low	Year	High	Low
1976	\$12.50	\$11.00	1981	\$11.63	\$7.50
1977	12.38	10.38	1982	10.00	7.50
1978	15.00	11.50	1983	11.25	8.50
1979	15.25	11.00	1984	11.75	10.00
1980	11.50	9.88	1985	13.00	10.25

CAPITAL STOCK CHANGES

In February 1928, Nesbitt, Thomson & Co. offered old class A shares at \$40 a share with a bonus of one class B share with each four class A shares. At Dec. 31, 1928, there were 750,000 class A shares, no par value, authorized of which 400,000 shares were issued and outstanding and 500,000 class B shares, no par value, authorized of which 300,000 shares were issued and outstanding.

In 1949, an additional 25,000 class B shares were issued for cash to a company executive.

By S.L.P. dated Nov. 6, 1961, the 350,000 unissued class A shares were cancelled, the dividend rate for class A shares was changed to a fixed cumulative dividend of \$2.50 per annum (from \$2 per annum noncumulative and participating equally with class B shares up to a further \$2), class A shares became convertible, and the class B shares were split on a 2-for-1 basis, reclassified as common shares and authorized capital was increased by an additional 2,500,000 common shares.

At Dec. 31, 1961, there were 400,000 class A shares authorized, issued and outstanding and 3,500,000 common shares authorized of which 650,000 shares were issued and outstanding.

In 1963, a total of 325,000 common shares was issued under a rights offering at \$14.50 per share.

By S.L.P. dated Dec. 20, 1963, the company's authorized capital was increased by the creation of 600,000 preferred shares, \$20 par, of which 300,000 shares designated 5¼% cumulative redeemable preferred, 1963 series, were issued and sold in January, 1964 at \$20 per share.

An additional 60 common shares were issued upon exercise of share purchase warrants in 1964.

During 1965, 6,000 common shares were issued on exercise of options and 30 common shares on exercise of warrants.

During 1966, 26,000 common shares were issued under stock option plan, 145 common shares were issued on exercise of warrants and 1,214 class A shares were converted into 2,428 common shares. Subsequently, 81,909 common shares were issued on exercise of warrants.

In 1967, Consolidated Paper Corporation Limited (now Consolidated-Bathurst Inc.) acquired all the Bathurst class A and common shares through a share exchange offer outlined on page 4. The Bathurst common and class A shares and warrants were delisted July 14, 1967.

On Dec. 18, 1969, the remaining outstanding 398,786 class A shares were converted into 797,572 common shares and on Dec. 23, 1969, Consolidated-Bathurst Inc. purchased an additional 1,000,000 common shares at \$20 per share.

In May, 1972, the company obtained S.L.P. authorizing a reduction in paid-up capital and the elimination of the accumulated deficit of the company to Dec. 31, 1971, in the amount of \$6,233,000.

In 1973, 600 common shares were issued by the exercise of warrants.

During 1974, 2,636 common shares were issued upon exercise of share purchase warrants at \$20 per share and 65,677 preferred shares were cancelled.

During 1975, 15,027 preferred shares were purchased for cancellation.

During 1976, the company purchased or contracted to purchase for cancellation 19,186 preferred shares of which 19,086 were cancelled by year-end. In December, 1976, the company issued 200,000 common shares at \$100 per share.

During 1977, the company purchased or contracted to purchase for cancellation 1,697 preferred shares of which 1,138 were cancelled by year-end.

During 1978, 400,000 common shares were issued.

By Certificate of Continuance dated Sept. 25, 1980, the 5¼% preferred shares, 1963 series, of \$20 par value, were redesignated as \$1.05 preferred shares, 1963 series, without par value.

In 1981, the company issued one common share to the parent company bringing outstanding share capital to 198,413 preferred and 3,492,381 common shares at Dec. 31, 1981.

DIVIDENDS

Dividend Restrictions—See under "Long-term Debt."

\$1.05 Preferred, 1963 series—Entitled to \$1.05 per share per annum, cumulative from Jan. 15, 1964, payable quarterly on the first day of Mar., June, Sept. and Dec.

Initial dividend of 13½ cents per share was paid on Mar. 1, 1964; 26½ cents per share paid June 1, 1964 and regularly quarterly to Mar. 1, 1971, inclusive. Six quarterly dividend payments were deferred. Payments were resumed with the quarterly dividend of 26½ cents per share on Dec. 1, 1972 and have been made regularly quarterly since.

Payments on arrears were made at 26½ cents per share regularly quarterly from Mar. 1, 1973 to Dec. 1, 1973, inclusive, along with the regular dividends and a final payment of 52½ cents per share was made Dec. 28, 1973, completing payment on the arrears of \$1.57½.

Common—Privately held. Dividends at the rate of 50 cents per share per annum were paid regularly quarterly from Feb. 1, 1962 to Aug. 1, 1967, inclusive, after which all shares were held by Consolidated-Bathurst Inc.

Class A (Old)—Was entitled to a fixed cumulative preferential dividend of \$2.50 per share per annum. Initial payment of 62½ cents per share was made Feb. 1, 1962 and 62½ cents per share was paid regularly quarterly to Aug. 1, 1967, after which all shares were held by Consolidated-Bathurst Inc. All shares were converted to common on Dec. 18, 1969.

Class A and Class B (old)—Prior to the capital stock changes confirmed in November, 1961, the class A stock was entitled to a noncumulative dividend of \$2.00 per share per annum; thereafter in any year it participated share-for-share with the class B up to an additional \$2.00 per class A share. Whenever in any year the class A received \$4.00 per share, all additional payments in that year would be made only on the class B shares. For payments on the old class A and class B shares, see table.

Class A (old)			
Year		Year	
1929	†\$0.25	1949	\$2.50
1930-36	nil	1950	3.00
1937-39	0.25	1951	3.50
1940	1.00	1952-54	3.00
1941	1.25	1955-56	3.50
1942	1.50	1957	3.00
1943-46	1.00	1958-60	2.00
1947	1.62½	1961	\$1.50
1948	2.25		

†Initial, paid Mar. 15, 1929.

‡Three quarterly payments of 50 cents each made or declared prior to capital stock changes in November, 1961.

Class B (old)			
Year		Year	
1948	*\$0.25	1952-54	\$1.00
1949	0.50	1955-56	1.50
1950	1.00	1957	1.00
1951	1.50	1958-61†	nil

*Initial, paid Mar. 1, 1949.

†Reclassified as com. shs. in November, 1961.

LONG-TERM DEBT

Long-term debt outstanding at Dec. 31, 1985, totaled \$32,129,000, including current portion of \$2,071,000. Sinking fund requirements and principal payments during the next five years based on exchange rates at Dec. 31, 1985, were as follows: \$2,071,000 in 1986; \$4,589,000 in 1987; \$8,772,000 in 1988; \$6,283,000 in 1989; and \$5,354,000 in 1990.

At Dec. 31, 1985, long-term debt comprised \$173,000 (£86,000) 8½% British export credit, due 1986; and \$31,956,000 in subsidiary debt.

PREVIOUS LONG-TERM DEBT**6% Sinking Fund and 5.6% Serial First Mortgage Bonds, Series A:**

Dated Jan. 2, 1964; sinking fund bonds due Jan. 2, 1984, serial bonds due \$2,500,000 annually Jan. 2, 1967-69, inclusive.

Authorized, no set amount, but subject to restrictions in Trust Deed; issued \$7,500,000 serial bonds and \$17,500,000 sinking fund bonds; outstanding at Dec. 31, 1983, \$1,879,000 sinking fund bonds. All redeemed at maturity. Serial bonds were redeemed at maturity.

Trustee—The Royal Trust Co.

Offered—In January, 1964, sinking fund and serial bonds sold at par and accrued interest by Nesbitt, Thomson and Co., Ltd.

6% Sinking Fund Debentures, Series A:

Dated Jan. 2, 1964; due Jan. 2, 1984.

Authorized, no set amount but subject to restrictions in trust deed; issued \$10,000,000; outstanding at Dec. 31, 1983, \$1,879,000. All redeemed at maturity.

Trustee—Montreal Trust Co.

Offered—In January, 1964, at 100 and accrued interest by Nesbitt, Thomson and Co., Ltd.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Years ended December 31

	1985	1984	□ 1983
	————— \$000's —————		
Source of Funds			
Operating earnings	14,847	11,770	6,594
Depreciation	13,902	11,490	14,725
Decrease invests. ....	.....	4,957	▲18,519
Increase long-term debt	12,536	6,509	173
Disposal of f.a. ....	.....	.....	35,104
Divds. from affil. cos.	7,851	.....	.....
Decr. advs. to parent, etc.	35,571	.....	.....
Other	20,887	5,442	9,181
	105,594	40,168	47,258
Application of Funds			
Interest	4,373	4,451	5,585
Current income taxes	7,501	4,326	4,574
Increase accts. receiv.	10,815	1,889	▲4,278
Increase inventories	5,303	6,508	▲26,720
Decrease accts. pay.	▲6,217	7,139	31,765
Additions to f.a.	28,436	15,166	16,004
Decrease long-term debt	43,033	9,383	4,204
Dividends	3,700	208	3,700
Other .....	.....	1,716	5,343
	96,944	50,786	40,177
Increase in funds\$	8,650	■ 10,618	7,081

□ As shown in 1984 Annual Report.

▲ Subtract.

■ Decrease.

\$ Comprised of cash and short-term deposits and short-term debt.

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS

Years ended December 31

[illegible]

CONSOLIDATED BALANCE SHEET AS AT DECEMBER 31

	1985	1984	1983	1982	1981	1980	1979
	-\$000's						
Assets							
Current:							
Cash & s.-t. dep.	8,041	134	9,989	5,331	3,341	9,614	11,142
Accounts receivable	33,295	22,480	23,045	60,349	49,712	49,409	48,144
Inventories:							
Raw mat'l. & suppl.	19,396	21,784	17,013	37,242	42,339	42,951	44,471
Work in proc. & fin. goods	24,532	16,841	15,104	21,595	19,391	19,728	19,582
Prepaid expenses	355	214	434	471	509	411	636
Notes receivable .....	.....	.....	2,846	.....	.....	.....	.....
Adv. to parent & affil.	1,478	37,049	31,749	1,569	1,289	11,711	26,998
	87,097	98,502	100,180	126,557	116,581	133,824	150,973
Investments, cost:							
CB Pak Inc.	75,379	63,326	.....	.....	.....	.....	.....
Domglas Inc. ....	.....	.....	46,021	36,811	32,687	28,588	25,156
MacMillan Bathurst Inc.	30,150	28,682	25,135	.....	.....	.....	.....
Other investments	990	754	1,137	1,133	3,355	1,088	1,085
Deferred charges	405	253	486	613	794	894	720
Fixed assets:							
Paperboard mills	121,304	112,441	114,388	109,084	104,303	101,041	96,804
Converting plants	180,517	105,951	152,078	228,209	217,702	203,328	186,614
Less: Accum. deprec.	160,749	119,191	147,755	181,593	170,158	162,652	149,998
	141,072	99,201	118,711	155,700	151,847	141,717	133,420
	335,093	290,718	291,670	320,814	305,264	306,111	311,354
Liabilities							
Current:							
Due bank	345	1,088	325	2,748	4,097	1,144	195
Accts. pay. & accr. liab.	23,891	15,547	11,339	17,204	17,380	27,557	34,363
Taxes payable	7,900	6,078	7,958	7,162	5,512	10,517	8,245
L.-t. debt due 1 yr.	2,071	41,852	9,079	4,354	4,514	4,616	6,739
Due to parent .....	.....	.....	.....	21,986	9,343	.....	.....
Due to affiliates .....	.....	.....	2	3,916	.....	.....	.....
	34,207	64,565	28,703	57,370	40,846	43,834	49,542
Deferred income taxes	34,151	29,876	32,967	36,942	31,607	26,809	24,820
Long-term debt:							
6% s.f. bonds, ser. A .....	.....	.....	2,401	2,401	2,412	3,528	4,454
6% s.f. debts., ser. A .....	.....	.....	1,879	2,266	2,590	3,210	3,351
Term bank loan .....	.....	36,550	41,884	44,870	47,363	49,856	49,856
Other	173	262	672	768	.....	.....	.....
Subsidiary debt	31,956	17,470	21,670	26,166	29,256	29,651	36,536
Less: Amt. due in 1 yr.\$	2,071	41,852	11,110	5,211	5,379	4,721	6,215
	30,058	12,430	57,396	71,260	76,242	81,524	87,982
Prov. for German pensions	39,545	26,430	33,651	29,823	30,221	26,899	22,190
Prov. for def. translation .....	.....	64	.....	.....	.....	.....	.....
Prov. for potent exch. chgs. ....	.....	.....	1,164	3,809	4,020	4,232	4,232
Def. inc. tax credits	508	.....	.....	.....	.....	.....	.....
	335,093	290,718	291,670	320,814	305,264	306,111	311,354
Shareholders' Equity							
Capital stock:							
Preferred	3,968	3,968	3,968	3,968	3,968	3,968	3,968
Common	85,338	85,338	85,338	85,338	85,338	85,338	85,338
Contributed surplus	723	723	723	723	723	723	723
Retained earnings	103,314	77,862	47,760	31,581	32,299	32,784	32,559
Less: Translation adj.	3,281	10,538	.....	.....	.....	.....	.....
	335,093	290,718	291,670	320,814	305,264	306,111	311,354

§At current exchange rates in 1984 and historic exchange rates in 1983 and prior years. ■ Add.

▲Raw materials and supplies stated at average cost; work in process and finished goods inventories stated at lower of average cost and net realizable value. Provision is made for slow-moving and obsolete inventories.

Commitment—At Dec. 31, 1985, outstanding commitments for capital expenditures under purchase orders and contracts amounted to approximately \$8,201,000.

Lease Commitments—At Dec. 31, 1985, future minimum lease payments due under operating leases having initial or remaining non-cancellable lease terms in excess of one year were as follows: \$2,276,000 in 1986; \$1,500,000 in 1987; \$1,288,000 in 1988; \$1,139,000 in 1989; \$958,000 in 1990; and \$2,583,000 thereafter.

Working capital (\$000's) 52,890 33,937 71,477 69,187 75,735 89,990 101,431
Ratio 2.55—1 1.53—1 3.49—1 2.21—1 2.85—1 3.05—1 3.05—1

Equities:
 Net worth\$ (\$000's) 196,624 157,353 137,789 121,610 122,328 122,813 122,588
 Bonds, per \$1,000 59,171 \$52,594 \$52,790 \$36,721 \$29,275
 Debentures, per \$1,000 74,331 54,667 48,231 39,260 37,583
 Preferred 990.98 793.06 694.46 612.91 616.53 618.98 617.84
 Common 55.16 43.92 38.32 33.69 33.89 34.03 33.97

§Available for capital stock; based on shareholders' equity. Bonds and debentures taken in at par for calculation of their equity. Preferred shares deducted at \$20 per share before calculating equity per common share.

HISTORICAL SUMMARY
(As originally stated in company's annual reports for the respective years)

Fiscal Year	Total Assets	Working Capital	L-Term Debt	Shldrs.' Equity	Net Sales	Net Inc. Oper.	Earns. Per Sh. ■	Price Range ■	High	Low
				\$000's			\$	\$	\$	\$
1928 ..	24,861	2,356	.....	24,166		122	.....	.....	.....	.....
1929 ..	25,063	2,388	.....	24,147		82	.....	.....	.....	.....
1930 ..	25,048	2,493	.....	24,225		73	.....	4.50	2.75	.....
1931 ..	24,791	2,103	.....	24,003		d202	.....	5.00	1.00	.....
1932 ..	24,638	2,022	.....	23,842		d132	.....	1.50	0.50	.....
1933 ..	24,520	1,894	.....	23,798	1,095	d15	.....	2.00	1.00	.....
1934 ..	24,866	2,151	.....	23,972	1,285	d7	.....	3.50	0.75	.....
1935 ..	16,498	2,434	.....	15,262	1,818	95	.....	4.25	1.00	.....
1936 ..	16,897	2,180	.....	15,310	2,069	48	.....	8.00	3.00	.....
1937 ..	17,972	1,887	.....	15,663	3,905	454	.....	12.50	3.50	.....
1938 ..	18,196	2,370	.....	15,716	3,320	153	.....	5.00	2.00	.....
1939 ..	18,716	2,483	.....	15,698	3,634	81	.....	5.50	0.75	.....
1940 ..	20,087	2,800	120	15,867	5,458	787	.....	5.00	1.88	.....
1941 ..	20,831	3,650	105	16,285	6,600	918	0.17	3.00	1.00	.....
1942 ..	21,372	4,227	.....	16,432	6,818	750	d0.17	3.25	1.00	.....
1943 ..	22,291	4,900	.....	16,570	6,993	539	d0.87	3.88	1.50	.....
1944 ..	23,141	4,384	.....	16,801	7,453	380	d1.40	4.00	2.50	.....
1945 ..	23,573	3,424	.....	16,808	7,986	378	d1.41	7.00	2.50	.....
1946 ..	26,714	3,286	.....	17,393	11,754	996	0.28	8.00	3.00	.....
1947 ..	22,142	3,362	.....	18,061	12,590	1,301	0.71	7.50	4.00	.....
1948 ..	24,777	7,940	3,500	18,771	15,586	1,685	1.26	7.00	3.50	.....
1949 ..	25,604	7,981	3,500	19,435	15,057	1,701	1.24	7.50	3.00	.....
1950 ..	28,165	7,081	3,351	20,565	17,398	2,613	3.12	18.00	5.50	.....
1951 ..	31,857	6,795	3,225	22,163	23,734	3,486	5.80	36.50	16.00	.....
1952 ..	29,520	7,139	3,125	22,594	21,999	1,826	1.42	32.00	17.00	.....
1953 ..	35,521	13,448	8,729	23,044	23,353	1,975	1.62	22.25	14.00	.....
1954 ..	41,096	12,635	9,279	24,716	27,440	2,962	4.19	42.00	17.50	.....
1955 ..	42,609	12,137	9,109	25,926	37,100	3,155	4.78	53.00	38.00	.....
1956 ..	43,746	11,669	8,315	27,410	37,116	3,044	4.44	55.00	35.00	.....
1957 ..	42,040	11,793	7,759	27,428	34,390	1,543	1.03	40.00	17.50	.....
1958 ..	42,651	11,658	7,931	29,863	34,571	1,547	1.03	23.50	15.00	.....
1959 ..	43,295	12,830	7,487	30,877	37,809	1,813	1.40	36.00	26.00	.....
1960 ..	45,019	12,831	7,298	31,940	38,734	1,864	1.47	38.00	23.00	.....
1961 ..	45,399	12,604	6,880	32,988	39,245	1,979	■ 1.74	■ 21.38	■ 12.50	.....
1962 ..	45,627	12,691	6,520	33,283	42,788	1,620	0.95	20.00	14.75	.....
1963 ..	44,008	11,937	5,565	38,569	44,008	1,939	1.44	20.75	14.50	.....
1964 ..	92,110	26,851	36,209	45,401	49,225	2,672	1.39	28.38	15.25	.....
1965 ..	102,915	11,085	36,524	25,473	51,136	2,154	0.85	28.75	20.50	.....
1966 ..	109,318	9,851	41,141	47,430	68,540	3,035	1.70	30.38	22.00	.....
1967 ..	109,300	12,468	41,505	45,784	69,579	2,527	1.11	□ 31.75	27.25	.....
1968 ..	104,440	10,552	40,916	44,996	74,382	1,342	0.03	.....	.....	.....
1969 ..	112,979	16,084	24,995	66,241	85,184	1,561	0.43	.....	.....	.....
1970 ..	119,331	5,215	22,874	64,671	88,188	2,347	d0.60	.....	.....	.....
1971 ..	99,898	d2,764	22,072	42,443	79,568	d2,294	d0.90	.....	.....	.....
1972 ..	95,842	3,778	20,036	45,612	93,992	3,405	1.07	.....	.....	.....
1973 ..	99,045	9,140	17,147	49,943	109,502	5,028	1.63	.....	.....	.....
1974 ..	111,242	18,190	17,147	57,512	135,707	8,656	2.91	.....	.....	.....
1975 ..	119,980	17,354	16,964	57,400	133,098	299	0.02	.....	.....	.....
1976 ..	118,724	43,973	11,895	82,056	131,628	3,300	1.06	.....	.....	.....
1977 ..	119,108	46,883	11,397	83,594	145,604	1,766	0.50	.....	.....	.....
1978 ..	296,883	92,106	96,694	117,609	148,673	4,998	1.54	.....	.....	.....
1979 ..	311,354	101,431	94,721	122,588	461,743	11,443	3.22	.....	.....	.....
1980 ..	306,111	89,990	86,140	122,813	498,813	16,149	4.56	.....	.....	.....
1981 ..	305,264	75,735	80,756	122,328	471,546	14,740	4.16	.....	.....	.....
1982 ..	320,814	69,814	75,614	121,610	507,181	13,460	3.79	.....	.....	.....
1983 ..	291,670	71,477	66,475	137,789	368,182	19,879	5.63	.....	.....	.....
1984 ..	290,718	33,937	54,282	157,353	296,102	20,992	5.95	.....	.....	.....
1985 ..	335,093	52,890	32,129	196,624	334,797	27,734	7.88	.....	.....	.....

■ Shown on class B shares to 1960; commencing in 1961 shown on common shares, following 2-for-1 split and reclassification of class B shares by S.L.P. Nov. 6, 1961. □ Delisted July 14, 1967.

(This information is obtained from sources we believe to be reliable, but is not guaranteed)

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